.UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2009

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.)

6330 Nancy Ridge Drive, Suite 103, San Diego, CA 92121
(Address of Principal Executive Offices) (Zip Code)

(858) 222-8041
(Registrant's telephone number, including area code)

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 Capital Market**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No ☒

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☒ No☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ 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. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one): Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐(do not check if a smaller reporting company) Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of March 26, 2010, 126,902,281 shares of the common stock, par value $.001, of the registrant were outstanding. The aggregate market value of the common stock held by non-affiliates, based upon the last sale price of the registrant's common stock on June 30, 2009, was approximately $41.5 million.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required to be disclosed in Part III of this report is incorporated by reference from the registrant's Proxy Statement for the 2010 Annual Meeting of Stockholders, which Proxy Statement will be filed no later than 120 days after the end of the fiscal year covered by this report.

NEXMED, INC.
INDEX TO ANNUAL REPORT ON FORM 10-K FILED WITH
THE SECURITIES AND EXCHANGE COMMISSION
YEAR ENDED DECEMBER 31, 2009

ITEMS IN FORM 10-K

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 NexMed, Inc. ("we," "us," "our" or the "Company") and our management team. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and 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" in Item 1A 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.

Corporate History

We are a Nevada corporation and have been in existence since 1987. We have operated in the pharmaceutical industry since 1995, focusing on research and development in the area of drug delivery. Our proprietary drug delivery technology is called NexACT® .

In 2005 and 2007 we entered into licensing agreements with Novartis International Pharmaceutical Ltd. ("Novartis") and Warner Chilcott Company, Inc. ("Warner"), respectively, pursuant to which we granted to Novartis and Warner rights to develop and commercialize products we developed using the NexACT® technology. Please see the NexACT® Drug Delivery Technology section below for a detailed discussion about NM100060, our proprietary topical nail solution for the treatment of onychomycosis (nail fungal infection), which we licensed to Novartis in 2005 and Vitaros®, a topical alprostadil-based cream treatment intended for patients with erectile dysfunction, which we licensed to Warner in 2007. Also see Note 4 of the Notes to the Consolidated Financial Statements for a description of the licensing agreements and their current status.

On December 14, 2009, we acquired Bio-Quant, Inc. ("Bio-Quant"), the largest specialty biotechnology contract research organization (CRO) based in San Diego, California and one of the industry's most experienced CROs for non-GLP (good laboratory practices) *in vitro* and *in vivo* contract drug discovery and pre-clinical development services, specializing in oncology, inflammation, immunology, and metabolic diseases. Bio-Quant has over 300 clients world-wide and performs hundreds of studies a year both in *in vitro* and *in vivo* pharmacology, pharmacokinetics (PK) and toxicology to support pre-investigational new drug ("IND") enabling packages.

Bio-Quant's revenue to date has been derived from pre-clinical contract services, sales of diagnostic kits and housing services. To date, approximately 80% of Bio-Quant's revenue has been generated from pre-clinical contract services. The CRO industry in general continues to be dependent on the research and development efforts of pharmaceutical and biotechnology companies as major customers, and we believe this dependence will continue. The current uncertain economic conditions have caused customers to re-evaluate priorities resulting in increases in contracts for the more promising projects, while scaling back and/or canceling other projects.

As a result of our acquisition of Bio-Quant, we now have two operating segments: designing and developing pharmaceutical products ("The NexACT® drug delivery technology business") and providing pre-clinical CRO services ("The Bio-Quant CRO business"). The sales of diagnostic kits by Bio-Quant does not constitute a reporting segment as the assets and revenues are not material in relation to our operations as a whole.

Growth Strategy

We are currently focusing our efforts on new and patented pharmaceutical products based on our patented drug delivery technology known as NexACT® and on growing the newly acquired CRO business through both organic growth within Bio-Quant's current business operations and through the acquisition of small cash flow positive entities who have complimentary capabilities to those of Bio-Quant but are not operating at full capacity due to insufficient business development efforts. We believe this strategy will allow Bio-Quant to expand its operations by broadening its service capabilities and going into new markets.

We intend to continue our efforts developing topical treatments based on the application of NexACT® technology to drugs: (1) previously approved by the U.S. Food and Drug Administration ("FDA"), (2) with proven efficacy and safety profiles, (3) with patents expiring in the near term or expired and (4) with proven market track records and potential. Further, with the pre-clinical and formulation expertise derived from the acquisition of Bio-Quant, we have begun to develop new formulations based on the application of NexACT® technology to drug compounds in the areas of oncology, inflammation, immunology, and metabolic diseases. We will also intend to actively promote the NexACT technology to Bio-Quant clients as well as other companies seeking innovative alternatives and solutions to their development problems.

Our broader goal is to generate revenues from the growth of our CRO business while aggressively seeking to monetize the NexACT® technology through out-licensing agreements with pharmaceutical and biotechnology companies worldwide. At the same time we are actively pursuing partnering opportunities for our clinical stage NexACT® based treatments in the areas of dermatology and sexual dysfunction as discussed below. The successful licensing or sale of one or more of these products would generate additional revenues for funding our growth strategy.

NexACT Drug Delivery Technology

The NexACT® drug delivery technology is designed to enhance the delivery of an active drug to the patient. Successful application of the NexACT® technology would improve therapeutic outcomes and reduce systemic side effects that often accompany existing oral and injectable medications. We have applied the NexACT® technology to a variety of compatible drug compounds and delivery systems, and, on our own or through development partnerships, are in various stages of developing new topical treatments for male and female sexual dysfunction, nail fungus, psoriasis, and other dermatological conditions.

Through the acquisition of Bio-Quant we have expanded our research and development capabilities with NexACT® into the areas of oncology, inflammation, immunology, and metabolic diseases. As a result, we are conducting additional studies to extend the validation of the NexACT technology into the oral or subcutaneous delivery of classes of drugs for these indications.

On January 12, 2010, we announced results from a pre-clinical study which supported the ability of the NexACT technology to deliver an oral formulation of Taxol® (paclitaxel) and to enhance the drug's bioavailability by approximately ten-fold through this oral administration. Taxol, a first line chemotherapy drug used to treat breast, lung and ovarian cancers, is currently administered through an intravenous infusion that can take up to 24 hours to complete.

On March 17, 2010, we announced results from a pre-clinical study which successfully demonstrated the ability of the NexACT technology to deliver insulin and other large molecule drugs such as Taxol subcutaneously, in a depot-like fashion (or slow release) over a 24 hour period from a single injection. Specifically, rodents that received insulin injections incorporating the NexACT technology showed bio-equivalency to Lantus® in controlling glucose levels in the blood. Further studies in rodents showed that NexACT was able to deliver Taxol® subcutaneously in levels similar to those previously observed in NexACT-based oral Taxol formulation without any apparent toxicity. Lantus® ,a product of Sanofi Aventis, is a commonly prescribed insulin injection for treating diabetes.

In March 2010, we acquired PrevOnco™, a marketed anti-ulcer compound, lansoprazole, for the treatment of solid tumors. The current data we already have with human hepatocellular carcinoma (HCC) *in vivo* in mice are very promising. PrevOnco™ has already received Orphan Drug Designation by the US FDA for HCC. We are in the process of designing the initial Phase 2 clinical trial with HCC. On March 25, 2010, we filed the IND for PrevOnco™ Phase 2 trials for HCC. We intend to run the Phase 2 proof of concept of PrevOnco™ in HCC. Following positive data from the clinical trials we intend to formulate PrevOnco™ with NexAct for sub-cutaneous delivery.

NM100060 Anti-Fungal Treatment

We had an exclusive global licensing agreement with Novartis International Pharmaceutical Ltd. ("Novartis") for NM100060, our proprietary topical nail solution for the treatment of onychomycosis (nail fungal infection). Under the agreement, Novartis acquired the exclusive worldwide rights to NM100060 and had assumed all further development, regulatory, manufacturing and commercialization responsibilities as well as costs. Novartis agreed to pay us up to $51 million in upfront and milestone payments on the achievement of specific development and regulatory milestones, including an initial cash payment of $4 million at signing. In addition, we were eligible to receive royalties based upon the level of sales achieved.

The completion of patient enrollment in the Phase 3 clinical trials for NM100060 triggered a $3 million milestone payment from Novartis to be paid 7 months after the last patient enrolled in the Phase 3 studies. However, the agreement also provided that clinical milestones paid to us by Novartis would be reduced by 50% until we received an approved patent claim on the NM100060. As such, we initially received only $1.5 million from Novartis.

On October 17, 2008, the U.S. Patent and Trademark Office issued the Notice of Allowance on our patent application for NM100060. This triggered a $2 million milestone payment from Novartis. On October 30, 2008 we received a payment of $3.5 million from Novartis consisting of the balance of $1.5 million of the patient enrollment milestone and the $2 million patent milestone.

In July 2008, Novartis completed the Phase 3 clinical trials for NM100060. The Phase 3 program required for the filing of the New Drug Application ("NDA") in the U.S. for NM100060 consisted of two pivotal, randomized, double-blind, placebo-controlled studies. The parallel studies were designed to assess the efficacy, safety and tolerability of NM100060 in patients with mild to moderate toenail onychomycosis. Approximately 1,000 patients completed testing in the two studies, which took place in the U.S., Europe, Canada and Iceland. On August 26, 2008, we announced that based on First Interpretable Results of these two Phase 3 studies, Novartis had decided not to submit the NDA at that time.

In July 2009, Novartis completed final analysis of the comparator study which they had initiated in March 2007 in ten European countries. The study results were insufficient to support marketing approval in Europe. As such, on July 8, 2009, we announced the mutual decision reached with Novartis to terminate the licensing agreement. In accordance with the terms of the termination agreement, Novartis has provided us with all of the requested reports to date for the three Phase 3 studies that they conducted for NM100060 and is assisting and supporting us in connection with the assignment, transfer and delivery to us of all know-how and data relating to the product.

In consideration of such assistance and support, we will pay to Novartis 15% of any upfront and/or milestone payments that we receive from any future third party licensee of NM100060, as well as a royalty fee ranging from 2.8% to 6.5% of annual net sales of products developed from NM100060 (collectively, "Products"), with such royalty fee varying based on volume of such annual net sales. In the event that the Company, or a substantial part of our assets, is sold, we will pay to Novartis 15% of any upfront and/or milestone payments received by us or our successor relating to the Products, as well as a royalty fee ranging from 3% to 6.5% of annual net sales of any Products, with such royalty fee varying based on volume of such annual net sales. If the acquirer makes no upfront or milestone payments, the royalty fees payable to Novartis will range from 4% to 6.5% of annual net sales of any Products.

We have completed our analysis of the two pivotal Phase 3 studies completed by Novartis. Based on this analysis, we believe the product's potential for treating patients with mild onychomycosis and warrants further studies for regulatory approval. We are sharing the clinical database and our conclusion with potential partners interested in licensing NM100060 for further development or for Over The Counter (OTC) direct approval due to its safety profile.

Vitaros®

We also have under development a topical alprostadil-based cream treatment intended for patients with erectile dysfunction ("Vitaros®"), which was previously known as Alprox-TD®. Our NDA was filed and accepted for review by the FDA in September and November 2007, respectively. During a teleconference with the FDA in early July 2008, our use of the name Vitaros® for the ED Product was verbally approved by the FDA.

On November 1, 2007, we licensed the U.S. rights of Vitaros® to Warner Chilcott Company, Inc. ("Warner"). Warner paid us $500,000 upon signing and agreed to pay us up to $12.5 million on the achievement of specific regulatory milestones and to undertake the manufacturing investment and any other investment for further product development that may be required for product approval. Additionally, Warner was responsible for the commercialization and manufacturing of Vitaros®.

On July 21, 2008, we received a not approvable action letter (the "Action Letter") from the FDA in response to our NDA. The major regulatory issues raised by the FDA were related to the results of the transgenic ("TgAC") mouse carcinogenicity study which NexMed completed in 2002. The TgAC concern raised by the FDA is product specific, and does not affect the dermatological products in our pipeline, specifically NM100060.

On October 15, 2008, we met with the FDA to discuss the major deficiencies cited in the Action Letter and to reach consensus on the necessary actions for addressing these deficiencies for our Vitaros® NDA. Several key regulatory concerns were addressed and agreements were reached at the meeting. The FDA agreed to: (a) a review by the Carcinogenicity Advisory Committee ("CAC") of the 2 two-year carcinogenicity studies which were recently completed; (b) one Phase 1 study in healthy volunteers to assess any transfer to the partner of the NexACT® technology and (c) one animal study to assess the transmission of sexually transmitted diseases with the design of the study to be determined. The FDA also confirmed the revision on the status of our manufacturing facility from "withhold" to "acceptable", based on our having adequately addressed the deficiencies cited in their Pre-Approval Inspection ("PAI") of our facility in January 2008. It is also our understanding that at this time the FDA does not require a one-year open-label safety study for regulatory approval. After the meeting we estimated that an additional $4 to $5 million would be needed to be spent to complete the above mentioned requirements prior to the resubmission of the NDA.

On February 3, 2009, we announced the sale of the U.S. rights for Vitaros® and the specific U.S. patents covering Vitaros® to Warner which terminated the previous licensing agreement. Under the terms of the agreement, we received gross proceeds of $2.5 million as an up-front payment and are eligible to receive an additional payment of $2.5 million upon Warner's receipt of an NDA approval from the FDA. In addition, Warner has paid us a total of $350,000 for the manufacturing equipment for Vitaros®. The purchase agreement with Warner gives us the right to reference their work on Vitaros® in our future filings outside the U.S., which may benefit us in international partnering opportunities because the additional data may further validate the safety of the product and enhance its potential value. While Warner is not obligated by the purchase agreement to continue with the development of Vitaros® and the filing of the NDA, as of the date of this report, Warner submitted the CAC assessment package to the FDA during the 4th quarter of 2009. Based on previous discussion with the FDA, we had expected them to make their decision during the first quarter of 2010. However, as of the date of this report, we have nothing new to report.

In Canada, we filed the New Drug Submission ("NDS") for Vitaros in February 2008 and received a Notice of Non-Compliance ("Notice") on January 19, 2010. The Notice was an end-of-review communication from Health Canada when additional information was needed to reach final decision on product approval. The deficiencies cited in the Notice were related specifically to the product's CMC (Chemistry, Manufacturing and Controls), and no pre-clinical or clinical deficiencies cited in the Notice. In February 2010, we met with Health Canada to discuss their concerns and were able to reach agreement with them on the necessary action steps which would be completed and included in our response to the Notice due on or before April 14, 2010. Assuming that we successfully submit our response before the 90 day deadline, our NDS would then undergo a 45 day screening process by Heath Canada's Regulatory Project Management group to determine the adequacy of our response and if deemed adequate, our response to the Notice would then go through a 150 day review cycle by the NDS reviewers.

For Europe, we are currently pursuing a decentralized filing strategy and our first Marketing Authorization Application ("MAA") is planned for the United Kingdom. The Medicines and Healthcare Products Regulatory Agency (the "MHRA") has confirmed that due to the backlog of MAA filings, they would not be able to receive and start reviewing our MAA until October 2010. Our intention is to pursue filing of the MAA with a local European partner. With that goal in mind, we are actively pursuing licensing partners and have engaged a business development consultant to assist us in that endeavour. There is no assurance that we will be able to find a partner, file our MAA on a timely basis or obtain regulatory approval.

Femprox® and Other Products

Our product pipeline also includes Femprox®, which is an alprostadil-based cream product intended for the treatment of female sexual arousal disorder. We have completed nine clinical studies to date, including one 98-patient Phase 2 study in the U.S. for Femprox®, and also a 400-patient study for Femprox® in China, where the cost for conducting clinical studies was significantly lower than in the U.S. We do not intend to conduct additional studies for this product until we have secured a co-development partner, which we are actively seeking.

We have also continued early stage development work for our product pipeline with the goal of focusing our attention on product opportunities that would replicate the model of our previously licensed anti-fungal nail treatment. We have in our pipeline a viable topical treatment for psoriasis, a common dermatological condition. Since the acquisition on December 14, 2009, our Bio-Quant team has been reviewing and studying the pre-clinical stage topical products in our pipeline to determine if additional value can be created through further testing in-house. These products include the above-mentioned treatment for psoriasis, cancer inflammation and also treatments for pain and wound healing.

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Bio-Quant CRO Business

Bio-Quant has over 300 clients world-wide and performs hundreds of studies a year both in *in vitro* and *in vivo* pharmacology, pharmacokinetics (PK) and toxicology to support pre-IND enabling packages. Bio-Quant performs studies for its clients in the early stages of drug development and discovery. To provide the needed flexibility, this discovery work is best performed by Bio-Quant's highly experienced and trained scientists who know how to recognize and address the unusual and unexpected outcomes that are the norm during discovery. Because the path to success at the discovery stage is through the process of failing fast and failing often, the optimal discovery research methodology focuses on the fastest and most cost-effective methods for getting correct scientific answers to direct further research.

To date, approximately 80% of Bio-Quant's revenue has been generated from pre-clinical contract services. The CRO industry in general continues to be dependent on the research and development efforts of pharmaceutical and biotechnology companies as major customers, and we believe this dependence will continue. The current uncertain economic conditions have caused customers to re-evaluate priorities resulting in increases in contracts for the more promising projects, scaling back and/or canceling other GLP projects towards clinical trials. The biopharmaceutical industry is reducing costs and, often, their workforce. Bio-Quant may benefit from increased outsourcing on the part of its customers, or it may be harmed by a reduction in spending if the biopharmaceutical industry scales back on pre-clinical projects. Bio-Quant views the current conditions as an opportunity to attract well qualified candidates to strengthen and improve its operations. Another trend in the industry is the decline in prescription drug sales caused by cost conscious patients opting for less expensive generic drugs or none at all. This presents both an opportunity and a challenge to Bio-Quant, as its customers will need to find less costly, or more efficient research options often through the establishment of strategic alliances or partnerships. Bio-Quant believes it is well positioned for this development.

With access to our NexACT technology, we intend to differentiate the Bio-Quant business from its competitors because it now can offer a proprietary drug delivery technology as a service to current and potential clients who need innovative alternatives and solutions to their development problems.

Bio-Quant has two labs and housing facilities along with an experienced scientific staff of 19 employees.

There are many different types of clients that need these types of studies performed during these early stages of drug discovery and development. Bio-Quant's clients range from larger global pharmaceutical companies to midsize and small biotechnology companies.

Patents

We hold ten U.S. patents out of a series of patent applications that we have filed in connection with our NexACT® technology and our NexACT® -based products under development. 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.

The following table identifies the ten U.S. patents issued for NexACT® technology and/or our NexACT®-based products under development as of March 31, 2010, and the year of expiration for each patent:

Patent Name	Expiration Date
Compositions and Methods for Amelioration of Human Female Sexual Dysfunction	2017
Topical Compositions for PGE1 Delivery	2017
Topical Compositions for Non-Steroidal Anti-Inflammatory Drug Delivery	2017
Medicament Dispenser	2019
Crystalline Salts of dodecyl 2-(N, N-Dimethylamino)-propionate *	2019
Topical Compositions Containing Prostaglandin E_1	2019
CIP: Topical Compositions Containing Prostaglandin E_1	2019
Topical Stabilized Prostaglandin E Compound Dosage Forms	2023
Antifungal Nail Coat Method of Use	2026
Stabilized Prostaglandin E Composition	2026

* Composition of matter patent on our NexACT® technology

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.

While we believe that our patents would prevail in any potential litigation, the holders of competing patents could determine to commence a lawsuit against us and may even 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. Additionally, in February 2009, we sold two patents to Warner and are obligated to indemnify Warner against challenges those patents which could result in additional costs to us.

Segment and Geographic Area Information

You can find information about our business segments of business in Note 17 of the Notes to Consolidated Financial Statements in Item 8.

Employees

As of March 23, 2010, we had 34 full time employees, 5 of whom are executive management and 20 of whom are engaged in research and development activities. We also rely on a number of consultants. None of our employees are represented by a collective bargaining agreement. We believe that we have a good relationship with our employees.

Executive Officers of the Registrant

The Executive Officers of the Company are set forth below.

Name	Age*	Title
Dr. Bassam Damaj	41	Director, President and Chief Executive Officer
Vivian H. Liu	48	Director, Chairman and Executive Vice President
Mark Westgate	40	Vice President, Chief Financial Officer and Treasurer
Dr. Henry Esber	71	Director, Executive Vice President
Edward Cox	29	Vice President, Investor Relations and Corporate Development and Secretary

*As of March 1, 2010

Effective December 14, 2009, as contemplated under the terms of the merger agreement entered into in connection with our acquisition of Bio-Quant, Dr. Damaj was appointed to serve as the Company's new President and Chief Executive Officer and Vivian H. Liu, the Company's existing Chief Executive Officer, was appointed to serve as the Company's Executive Vice President and Chairman of the Board of Directors..

Bassam B. Damaj has been a director since December 2009, when he was appointed to the Board pursuant to the terms of the merger agreement that we entered into in connection with our acquisition of Bio-Quant, Inc. He is a co-founder of Bio-Quant, Inc. and has served as the Chief Executive Officer and Chief Scientific Officer and a director of Bio-Quant since its inception in June 2000. He has also served as the Group Leader for the Office of New Target Intelligence and a Group Leader for immunological and inflammatory disease programs at Tanabe Research Laboratories, U.S.A., Inc., as a senior scientist and member of the senior staff board of the drug discovery department at Pharmacopeia Inc., and as a visiting scientist at Genentech Inc., Pfizer Inc. and the National Institutes of Health (NIH). Dr. Damaj holds a Ph.D. degree in Immunology/Microbiology from Laval University and completed a postdoctoral fellowship in molecular oncology from McGill University.

Vivian H. Liu is, and has been, our Executive Vice President and Chairman of the Board from December 2009. She has served as a director from June 2007, and was our President and Chief Executive Officer from June 2007 to December 2009, and our Secretary from 1995 to December 2009. Ms. Liu also served as our Vice President of Corporate Affairs from September 1995 until December 2005, Acting Chief Executive Officer from December 2005 until January 2006, Executive Vice President and Chief Operating Officer from January 2006 to June 2007, Chief Financial Officer from January 2004 until December 2005, Acting Chief Financial Officer from 1999 to January 2004 and Treasurer from September 1995 through December 2005. In 1994, while we were in a transition period, Ms. Liu served as Chief Executive Officer. From 1985 to 1994, Ms. Liu 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 B.A. from the University of California, Berkeley.

Mark Westgate has been our Vice President, Chief Financial Officer and Treasurer since December 2005. From March 2002 to December 2005, Mr. Westgate served as our Controller. He has over seventeen years of public accounting and financial management experience. From August 1998 to March 2002, Mr. Westgate served as Controller and Director of Finance for Lavipharm Laboratories Inc., a company specializing in drug delivery and particle design. Prior to joining Lavipharm, he was a supervisor at Richard A. Eisner & Company, LLP where he performed audits and provided tax advice for clients in various industries including biotech. Mr. Westgate is a Certified Public Accountant and a member of the New York State Society of Certified Public Accountants. He holds a B.B.A. in public accounting from Pace University.

Henry J. Esber has been a director since December 2009, when he was appointed to the Board pursuant to the terms of the merger agreement that we entered into in connection with our acquisition of Bio-Quant, Inc. He has served as the Senior Vice President and Chief Business Development Officer and a director of Bio-Quant, Inc. since January 2006. From September 2000 to December 2005, Dr. Esber served as the executive director of business development at Charles River Laboratories, Inc., a global provider of research models and preclinical, clinical, and support services. Prior to that, Dr. Esber was an executive director at Primedica Corporation and Genzyme Transgenics Corporation, vice president at Bio-Development Laboratories, vice president at TSI Corporation, director at EG&G Mason Research Labs and the director of the Department of Immunology and Clinical Services at Mason Research Laboratories. Dr. Esber has also served as an affiliate professor at Anna Maria College Graduate School and the University of Connecticut. Dr. Esber holds a B.S. degree in Pre-Medicine from Norfolk College of William and Mary (now Old Dominion), a Master of Science degree in Public Health in Parasitology and Public Health from the University of North Carolina, Chapel Hill and a Ph.D. degree in Immunology/Microbiology from West Virginia University Medical Center, Morgantown.

Edward Cox has been our Vice President, Investor Relations and Corporate Development since December 2009. Mr. Cox has been the President and a director of Bio-Quant, Inc. since January 2007. Prior to that, from June 2006 to November 2006, Mr. Cox served as a director of TomCo Energy PLC, a private oil mining company, which has since become listed on the London AIM market. He has also acted as a Business Strategist and Consultant for several other companies, including Tequesta Marine Biosciences. Mr. Cox holds a Masters of Science degree in Business from the University of Florida.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, and we have an Internet website address at http://www.nexmed.com. We make available free of charge on our Internet website address our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as well as our proxy statements as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. You may also read and copy any document we file at the Securities and Exchange Commission's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-732-0330 for further information on the operation of such public reference room. You also can request copies of such documents, upon payment of a duplicating fee, by writing to the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 or obtain copies of such documents from the Securities and Exchange Commission's website at http://www.sec.gov.

ITEM 1A. RISK FACTORS.

FACTORS THAT COULD AFFECT OUR FUTURE RESULTS

RISKS RELATED TO THE COMPANY

We continue to require external financing to fund our operations, which may not be available.

We expect our current cash reserves to provide us with sufficient cash to fund our operations into the second half of 2011. While our newly acquired subsidiary, Bio-Quant, is projected to be cash flow positive in 2010, we do not believe that Bio-Quant will generate sufficient cash to fund the development of our current products under development and the annual costs to remain a public company, including legal, audit and listing fees. We intend to seek development partners to advance our products under development because we will also need significant funding to pursue our overall product development plans. In general, products we plan to develop will require significant time-consuming and costly research and development, clinical testing, regulatory approval and significant investment prior to their commercialization. Even if we are successful in obtaining partners who can assume the funding for further development of our products, we may still encounter additional obstacles such as research and development activities may not be successful, our products may not prove to be safe and effective, clinical development work may not be completed in a timely manner or at all, and the anticipated products may not be commercially viable or successfully marketed. During 2010 we intend to focus on generating more positive cash flow by expanding the CRO business through organic growth within Bio-Quant's current business operations and through acquiring small cash flow positive entities who have complimentary capabilities to those of Bio-Quant but are not operating at full capacity due to insufficient business development efforts. There is no assurance that we can expand Bio-Quant's current business operations or successfully identify and acquire small cash flow positive entities as described above. Should we not be able to find development partners or successfully increase Bio-Quant's positive cash flow, we would require external financing to fund our operations.

Additionally, we have substantial notes payable issued in connection with the acquisition of Bio-Quant due within 12 months as discussed in Notes 3 and 9 of the Notes to the Consolidated Financial Statements, which if not converted to common stock, would significantly impact liquidity when due in December 2010.

Our current cash reserves of approximately $3.25 million as of the date of this report, should provide us with sufficient cash to fund our operations into the second half of 2011 assuming we convert upon shareholder approval or extend the maturity date of significant amounts due in 2010 and 2011 under notes payable. This projection is based on the monthly operating expenses of maintaining our public listing together with Bio-Quant's business growing at an assumed rate of 11% over 2009 levels with no additional acquisitions in 2010.

We will continue to incur operating losses.

We may encounter delays, uncertainties and complications typically encountered by businesses with future revenues tied to products under development. We have not marketed or generated sales revenues in the U.S. from our products under development. We are not profitable and have incurred an accumulated deficit of $171,731,862 since our inception through December 31, 2009. Our ability to generate revenues and to achieve profitability and positive cash flow will depend on the successful licensing or commercialization of our products currently under development and the ability to grow Bio-Quant's pre-clinical service business to a level sufficient to generate sufficient operating income to cover the costs of our operations, including maintaining our public listing. 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, (3) success in licensing, manufacturing, distributing and marketing our proposed products and (4) increasing the profitability of Bio-Quant through acquisitions and organic growth of its current operations.

Our independent registered public accounting firm has doubt as to our ability to continue as a going concern.

As a result of our losses to date, expected losses in the future, limited capital resources and accumulated deficit, our independent registered public accounting firm has concluded that there is substantial doubt as to our ability to continue as a going concern, and accordingly, our independent registered public accounting firm has modified their report on our December 31, 2009 consolidated financial statements included in this annual report on Form 10-K in the form of an explanatory paragraph describing the events that have given rise to this uncertainty. These factors may make it more difficult for us to obtain additional funding to meet our obligations. Our continuation is dependent upon our ability to generate or obtain sufficient cash to meet our obligations on a timely basis and ultimately to attain profitable operations. We anticipate that we will continue to incur significant losses at least until successful commercialization of one or more of our products, and we may never operate profitably in the future.

If we fail to attract and keep senior management and key scientific personnel, we may be unable to successfully operate our business.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management and scientific personnel and on its ability to develop and maintain important relationships with healthcare providers, clinicians and scientists. We are highly dependent upon our senior management and scientific staff, particularly Bassam Damaj, Ph.D., our Chief Executive Officer. Although we have employment agreements with most of our executives, these agreements are generally terminable at will at any time, and, therefore, we may not be able to retain their services as expected. The loss of services of one or more members of our senior management and scientific staff could delay or prevent us from obtaining new clients and successfully operating our business. Competition for qualified personnel in the biotechnology and pharmaceuticals field is intense, particularly in the San Diego, California area, where our offices are located. We may need to hire additional personnel as we expand our commercial activities. We may not be able to attract and retain qualified personnel on acceptable terms.

Our ability to maintain, expand or renew existing business with our clients and to get business from new clients, particularly in the drug development sector, also depends on our ability to subcontract and retain scientific staff with the skills necessary to keep pace with continuing changes in drug development technologies.

We will need partnering agreements and significant funding to continue with our research and development efforts, and they may not be available.

We expect our current cash reserves to provide us with sufficient cash to fund our operations into the second half of 2011. We will need additional sources of cash to fund the development and eventual marketing and sales of our products under development. We intend to seek development partners to advance our products under development because we will also need significant funding to pursue our overall product development plans. In general, products we plan to develop will require significant time-consuming and costly research and development, clinical testing, regulatory approval and significant investment prior to their commercialization.

Our research and development expenses for the years ended December 31, 2009, 2008 and 2007 were $1,883,458, $5,410,513 and $5,022,671, respectively. Through December 31, 2009, we have spent $98,786,673 on research and development. Given our current level of cash reserves and current revenue level of our subsidiary, Bio-Quant, we will not be able to fully advance our products under development unless we enter into additional partnering agreements and /or significantly grow Bio-Quant's CRO business. If we are successful in entering into additional partnering agreements for our products under development, we may receive milestone payments, which will offset some of our research and development expenses.

We currently have no sales force or marketing organization and will need, but may not be able, to attract marketing partners or afford qualified or experienced marketing and sales personnel for our products under development.

In order to market our proprietary products under development, we will need to attract additional marketing partner(s) that 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, among other things, on our ability to establish (1) successful arrangements with domestic and additional international distributors and marketing partners and (2) an effective internal marketing organization. Consummation of partnering arrangements is subject to the negotiation of complex contractual relationships, and we may not be able to negotiate such agreements on a timely basis, if at all, or on terms acceptable to us.

Pre-clinical and clinical trials are inherently unpredictable. If we or our partners do not successfully conduct these trials, we or our partners may be unable to market our products.

Through pre-clinical studies and clinical trials, our products must be demonstrated to be safe and effective for their indicated uses. Results from pre-clinical studies and early clinical trials may not be indicative of, or allow for prediction of results in later-stage testing. Future clinical trials may not demonstrate the safety and effectiveness of our products or may not result in regulatory approval to market our products. Commercial sales in the United States of our products cannot begin until final FDA approval is received. The failure of the FDA to approve our products for commercial sales will have a material adverse effect on our prospects.

Patents and intellectual property rights are important to us but could be challenged.

Proprietary protection for our pharmaceutical products and products under development is of material importance to our business in the U.S. and most other countries. We have sought 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. In addition, we have agreed to indemnify our partners for certain liabilities with respect to the defense, protection and/or validity of our patents and would also be required to incur costs or forego revenue if it is necessary for our partners to acquire third party patent licenses in order for them to exercise the licenses acquired from us.

We currently hold ten U.S. patents out of a series of patent applications that we have filed in connection with our NexACT® technology and our NexACT®-based products under development. 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. We previously held two patents covering the first generation of the NexACT® technology enhancer, which expired in 2008 and 2009. While we believe there are significant disadvantages to using the permeation enhancers covered by these expired patents, third parties may nevertheless develop competitive products using the enhancer technology now that it is no longer patent protected..

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 enough to protect us against competitors with similar technology. Any of our patents could be invalidated or circumvented.

While we believe that our patents would prevail in any potential litigation, the holders of competing patents could determine to commence a lawsuit against us and even 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.
Additionally, in February 2009, we sold two patents to Warner and are obligated to indemnify Warner against challenges to those patents, which could result in additional costs to us.

We and our licensees depend upon third party manufacturers for chemical manufacturing supplies.

We and our licensees are dependent on third party chemical manufacturers for the active drugs in our NexACT®-based products under development, and for the supply of our NexACT® enhancers that are essential in the formulation and production of our topical products on 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 quantities, our results would suffer, as we or our licensees would encounter costs and delays in revalidating new third party suppliers.

We face severe competition.

We are engaged in a highly competitive industry. We and our licensees can expect competition from numerous companies, including large international enterprises, and others entering the market for products similar to ours. 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.

The Bio-Quant CRO business primarily competes against in-house departments of pharmaceutical, biotechnology and medical device companies, academic institutions and other contract research organizations. Competitors in Bio-Quant's industry range from small, limited-service providers to full service, global contract research organizations. Many of Bio-Quant's competitors have an established global presence, including Quintiles Transnational Corp., Covance, Inc., Parexel International Corporation, Pharmaceutical Product Development, Inc., Icon Clinical Research, and Kendle International, Inc. In addition, many of Bio-Quant's competitors have substantially greater financial and other resources than Bio-Quant does and offer a broader range of services in more geographical areas than Bio-Quant does. Significant factors in determining whether Bio-Quant will be able to compete successfully include: its consultative capabilities; its reputation for on-time quality performance; its expertise and experience in specific drug discovery, research and development areas; the scope of its service offerings; its strength in various geographic markets; the price of its services; and its size.

If Bio-Quant's services are not competitive based on these or other factors and Bio-Quant is unable to develop an adequate level of new business, its business, backlog position, financial condition and results of operations will be materially and adversely affected. In addition, Bio-Quant may compete for fewer clients arising out of consolidation within the pharmaceutical industry and the growing tendency of drug companies to outsource to a smaller number of preferred contract research organizations that have far greater resources and capabilities.

Bio-Quant's services may from time to time experience periods of increased price competition that could have a material adverse effect on its profitability and revenues. Additionally, the CRO industry is not highly capital-intensive, and the financial costs of entry into the industry are relatively low. Therefore, as a general matter, the industry has few barriers to entry. Newer, smaller entities with specialty focuses, such as those aligned to a specific disease or therapeutic area, may compete aggressively against Bio-Quant for clients.

We may be subject to potential product liability and other claims, creating risks and expense.

We are also 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, with coverage of $1 million for any one claim and coverage of $3 million in total, but we do not maintain product liability insurance for marketed products as our products have yet to be approved for commercialization. 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.

INDUSTRY RISKS

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.

Instability and volatility in the financial markets and the global economic recession are likely to have a negative impact on our ability to raise necessary funds and on our business, financial condition, results of operations and cash flows.

During recent months, there has been substantial volatility and a decline in financial markets due at least in part to the deteriorating global economic environment. In addition, there has been substantial uncertainty in the capital markets and access to financing is uncertain. These conditions are likely to have an adverse effect on our industry, licensing partners, and business, including our financial condition, results of operations and cash flows.

To the extent that we do not generate sufficient cash from operations, we may need to incur indebtedness, if available, to finance plans for growth or to continue our current operations. However, recent turmoil in the credit markets and the potential impact on the liquidity of major financial institutions may have an adverse effect on our ability to fund our business strategy through borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, if at all.

Changes in trends in the pharmaceutical and biotechnology industries, including difficult market conditions, could adversely affect our operating results.

Industry trends and economic and political factors that affect pharmaceutical, biotechnology and medical device companies also affect our business. For example, the practice of many companies in these industries has been to hire companies like us to conduct discovery, research and development activities. If these companies suspend these activities or otherwise reduce their expenditures on outsourced discovery, research and development in light of current difficult conditions in credit markets and the economy in general, or for any other reason, our operations, financial condition and growth rate could be materially and adversely affected. In the past, mergers, product withdrawal and liability lawsuits, and other factors in the pharmaceutical industry have also slowed decision-making by pharmaceutical companies and delayed drug development projects. Continuation or increases in these trends could have an adverse effect on our business. In addition, numerous governments have undertaken efforts to control growing healthcare costs through legislation, regulation and voluntary agreements with medical care providers and pharmaceutical companies. If future cost-containment efforts limit the profits that can be derived on new drugs, our clients might reduce their drug discovery and development spending, which could reduce our revenue and have a material adverse effect on our results of operations.

The biotechnology, pharmaceutical and medical device industries generally and drug discovery and development more specifically are subject to increasingly rapid technological changes. Our competitors, clients and others might develop technologies, services or products that are more effective or commercially attractive than our current or future technologies, services or products, or that render our technologies, services or products less competitive or obsolete. If competitors introduce superior technologies, services or products and we cannot make enhancements to our technologies, services or products to remain competitive, our competitive position, and in turn our business, revenue and financial condition, would be materially and adversely affected.

We and our licensees are subject to numerous and complex government regulations which could result in delay and expense.

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 has been approved for marketing in the U.S. Before any products we develop are marketed, FDA and comparable foreign agency approval must be obtained 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 hundred to thousands of patients may be studied during the Phase 3 studies for a period from 12 months to several years. Upon completion of Phase 3 studies, a New Drug Application is submitted to the FDA or foreign governmental regulatory authority for review and approval.

The failure to obtain requisite governmental approvals for our products under development in a timely manner or at all would delay or preclude us and our licensees from marketing our products or limit the commercial use of our products, which could adversely affect our business, financial condition and results of operations.

Any failure on our part to comply with applicable regulations could result in the termination of on-going research, discovery and development activities or the disqualification of data for submission to regulatory authorities. As a result of any such failure, we could be contractually required to perform repeat services at no further cost to our clients, but at a substantial cost to us. The issuance of a notice from regulatory authorities based upon a finding of a material violation by us of applicable requirements could result in contractual liability to our clients and/or the termination of ongoing studies which could materially and adversely affect our results of operations. Furthermore, our reputation and prospects for future work could be materially and adversely diminished.

Because we intend that our products will be sold and marketed outside the U.S., we and/or our licensees 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. The failure to meet each foreign country's requirements could delay the 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 one or more products is successfully brought to market, reimbursement to consumers may not be available or sufficient to allow the realization of 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 affect our business and limit our revenues.

RISKS RELATED TO OWNING OUR COMMON STOCK

Our stock may be delisted from Nasdaq, which may make it more difficult for you to sell your shares.

Currently, our Common Stock trades on the Nasdaq Capital Market. On January 26, 2010, we received an expected notice of non-compliance (the "Notice") from The NASDAQ Stock Market LLC based upon the bid price of the Company's common stock closing at less than $1.00 per share in violation of NASDAQ Listing Rule 5550(a)(2), which could serve as an additional basis for the delisting of the Company's securities from The NASDAQ Capital Market.

We responded to the Notice on January 27, 2010, requesting additional time to regain compliance with the bid price listing requirement. Our January 27, 2010 response also sought an exemption, through May 24, 2010, from compliance with another existing deficiency (failure to comply with the annual shareholder meeting and proxy solicitation requirements) to allow the Company to execute its plans to regain compliance.

At an appeals hearing held in November 2009 at our request, following a series of communications between us and NASDAQ regarding various deficiencies, including those described above and our failure to satisfy the minimum $2.5 million in stockholders' equity requirement for continued listing as of August 2009, we presented to NASDAQ our plan to regain compliance with the applicable listing requirements. On February 1, 2010, we received the Hearing Panel's determination (the "Determination Letter"). The Determination Letter confirmed that NASDAQ would continue the listing of the Company's securities on The NASDAQ Stock Market provided that the Company shall have (1) solicited proxies and held its annual meeting on or before May 24, 2010 and (2) evidenced compliance with the minimum bid price requirement and all other requirements for The NASDAQ Stock Market on or before July 15, 2010. If the Company is not able to demonstrate compliance with all requirements for continued listing on or before July 15, 2010, its securities may be delisted. During this exemption period, the Company must provide prompt notice to NASDAQ of any significant events that occur, including, but not limited to, any event that may call into question the Company's historical financial information or that may impact the Company's ability to maintain compliance with any NASDAQ listing requirement or exemption deadline.

If we fail to achieve the minimum bid price requirement of the Nasdaq Capital Market by July 15, 2010 or fail to maintain compliance with any other listing requirements during this period (including a failure to comply with the annual shareholder meeting and proxy solicitation requirements on or before May 24, 2010), we may be delisted and our stock would be considered a penny stock under regulations of the Securities and Exchange Commission and would therefore be subject to rules that impose additional sales practice requirements on broker-dealers who sell our securities. The additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from effecting transactions in our Common Stock, which could severely limit the market liquidity of the Common Stock and your ability to sell our securities in the secondary market. In addition, if we fail to maintain our listing on Nasdaq or any other United States securities exchange, quotation system, market or over-the-counter bulletin board, we will be subject to cash penalties under investor rights agreements to which we are a party until a listing is obtained.

We do not expect to pay dividends on our Common Stock in the foreseeable future.

Although our shareholders may receive dividends if, as and when declared by our board of directors, we do not intend to declare dividends on our Common Stock in the foreseeable future. Therefore, you should not purchase our Common Stock if you need immediate or future income by way of dividends from your investment.

We may issue additional shares of our capital stock that could dilute the value of your shares of Common Stock.

We are authorized to issue 280,000,000 shares of our capital stock, consisting of 270,000,000 shares of our Common Stock and 10,000,000 shares of our preferred stock of which 1,000,000 are designated as Series A Junior Participating Preferred Stock, 800 are designated as Series B 8% Cumulative Convertible Preferred Stock and 600 are designated as Series C 6% Cumulative Convertible Preferred Stock. As of March 26, 2010, 126,902,281 shares of our Common Stock were issued and outstanding and 6,364,102 shares of our Common Stock were issuable upon the exercise or conversion of outstanding options and warrants. As of March 26, 2010, there were no shares of Series A, Series B or Series C Preferred Stock outstanding. In light of our possible future need for additional financing, we may issue authorized and unissued shares of Common Stock at below current market prices or additional convertible securities that could dilute the earnings per share and book value of your shares of our Common Stock.

Additionally, we have substantial notes payable issued in connection with the acquisition of Bio-Quant due within 12 months as discussed in Notes 3 and 9 of the Notes to the Consolidated Financial Statements. These notes can, with approval of our shareholders, be repaid with the issuance of Common Stock. As of the date of this report, we would need to issue approximately 60 million shares, at a predetermined price of $0.168 per share to repay such notes payable in full.

In addition to provisions providing for proportionate adjustments in the event of stock splits, stock dividends, reverse stock splits and similar events, certain outstanding warrants and convertible instruments provide (with certain exceptions) for an adjustment of the exercise or conversion price if we issue shares of Common Stock at prices lower than the then exercise or conversion price or the then prevailing market price. This means that if we need to raise equity financing at a time when the market price for our Common Stock is lower than the exercise or conversion price, or if we need to provide a new equity investor with a discount from the then prevailing market price, then the exercise price will be reduced and the dilution to shareholders increased.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We currently have our corporate office, laboratories and housing facilities at 2 locations that we currently lease in San Diego, CA. In addition we own a 31,500 square foot manufacturing facility in East Windsor, NJ. As discussed in Note 5 of the Notes to the Consolidated Financial Statements, we signed an agreement to lease the manufacturing facility for 10 years commencing February 1, 2010. The lease agreement also contains an option allowing the lessee to purchase the facility during the term of the lease.

ITEM 3. LEGAL PROCEEDINGS.

We are subject to certain legal proceedings in the ordinary course of business. We do not expect any such items to have a significant impact on our financial position.

ITEM 4. RESERVED

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

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

On March 26, 2010, the last reported sales price for our Common Stock on NASDAQ was $0.43 per share, and we had approximately 12,300 holders of record of our Common Stock.

The following table sets forth the range of the high and low sales prices for our Common Stock as reported by NASDAQ for each quarter from January 1, 2008 to December 31, 2009.

	Price of Common Stock ($)	
	High	Low
2009		
First Quarter	0.28	0.08
Second Quarter	0.54	0.12
Third Quarter	0.46	0.15
Fourth Quarter	0.51	0.12
2008		
First Quarter	1.70	1.19
Second Quarter	1.37	1.04
Third Quarter	1.53	0.12
Fourth Quarter	0.16	0.05

Dividends

We have never paid cash dividends on our Common Stock 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.

Unregistered sales of equity securities and use of proceeds

None.

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

General

In July 2008, Novartis completed testing for the Phase 3 clinical trials for NM100060 as discussed in Note 4 of the Notes to the Consolidated Financial Statements. On August 26, 2008, we announced that based on First Interpretable Results of these two Phase 3 studies, Novartis had decided not to submit the NDA.

The decision by Novartis to not file the NDA had a negative impact on our liquidity and financial condition. As a result, in December 2008, we began to implement a restructuring program with the goal of reducing costs and outsourcing basic research and development. This restructuring program continued into 2009 as we announced the mutual decision reached with Novartis to terminate the licensing agreement.

During 2009, under this restructuring program, we remained open to opportunities to co-develop products utilizing our NexACT technology and we actively pursued strategic opportunities that would leverage our NexACT platform and generate partnership revenues to fund our development efforts. Additionally, during 2009, we were actively trying to sell or lease our facility in East Windsor, NJ which would further reduce our monthly operating expenses.

In December, 2009, we entered into an agreement to lease our facility in East Windsor, NJ for a period of 10 years at $34,450 per month with annual 2.5% escalations. Further, the tenant has an option to purchase the building for an initial purchase price of $4.4 million as discussed in Note 5 of the Notes to the Consolidated Financial Statements.

On December 14, 2009, we acquired Bio-Quant, Inc. ("Bio-Quant"), the largest specialty biotech contract research organization (CRO) based in San Diego, California and one of the industry's most experienced CROs for non-GLP *in vitro* and *in vivo* contract drug discovery and pre-clinical development services, specializing in oncology, inflammation, immunology, and metabolic diseases. Bio-Quant has over 300 clients world-wide and performs hundreds of studies a year both in *in vitro* and *in vivo* pharmacology, pharmacokinetics (PK) and toxicology to support pre-IND enabling packages. A detailed description of the terms of the acquisition are described in Note 3 of the Notes to the Consolidated Financial Statements.

We are now focusing our efforts on new and patented pharmaceutical products based on NexACT® and on growing the newly acquired CRO business through both organic growth within Bio-Quant's current business operations and through the acquisition of small cash flow positive entities who have complimentary capabilities to those of Bio-Quant but are not operating at full capacity due to insufficient business development efforts. We believe this strategy will allow Bio-Quant to expand its operations by broadening its service capabilities and going into new markets.

Our broader goal is to generate revenues from the growth of Bio-Quant's CRO business while aggressively seeking to monetize the NexACT® technology through out-licensing agreements with pharmaceutical and biotechnology companies worldwide. At the same time, we are actively pursuing partnering opportunities for our clinical stage NexACT® based treatments in the areas of dermatology and sexual dysfunction. The successful licensing or sale of one or more of these products wouldl generate additional revenues for funding our long-term growth strategy.

Liquidity, Capital Resources and Financial Condition.

We have experienced net losses and negative cash flows from operations each year since our inception. Through December 31, 2009, we had an accumulated deficit of $171,731,862. 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 our ability to raise additional funds in any future periods.

In January 2010, we raised gross proceeds of $2.3 million in an offering of unsecured promissory notes (the "Notes"). The Notes accrued interest at a rate of 10% per annum and were due and payable in full six months from the date of issuance. The principal and accrued interest due under the Notes was payable, at our election in either cash or shares of Common Stock (the "Shares"). The weighted average conversion price of the Shares issuable under the Notes was $0.37 per Share, with the conversion prices ranging from $0.36 to $0.40 per Share.

On March 17, 2010, we repaid all outstanding principal and accrued interest under the Notes through the issuance of an aggregate of approximately 6.2 million shares.

In March 2010, we raised gross proceeds of $1.4 million in connection with the re-financing of our convertible mortgage notes as discussed in Note 18 of the Notes to the Consolidated Financial Statements.

While our newly acquired subsidiary, Bio-Quant, is projected to be cash flow positive in 2010, we do not believe that Bio-Quant will generate sufficient cash to fund the development of our current products under development and/or the annual costs to remain a public company, including legal, audit and listing fees. We intend to seek development partners to advance our products under development because we will also need significant funding to pursue our overall product development plans. In general, products we plan to develop will require significant time-consuming and costly research and development, clinical testing, regulatory approval and significant investment prior to their commercialization. Even if we are successful in obtaining partners who can assume the funding for further development of our products, we may still encounter additional obstacles such as our research and development activities may not be successful, our products may not prove to be safe and effective, clinical development work may not be completed in a timely manner or at all, and the anticipated products may not be commercially viable or successfully marketed. During 2010 we intend to focus on generating more positive cash flow by growing the CRO business through organic growth within Bio-Quant's current business operations and through acquiring small cash flow positive entities who have complimentary capabilities to those of Bio-Quant but are not operating at full capacity due to insufficient business development efforts. We feel that this strategy will allow Bio-Quant to expand its operations by broadening its service capabilities and going into new markets. There is no assurance that we can grow Bio-Quant's current business operations or successfully identify and acquire small cash flow positive entities as described above. Should we not be able to find development partners or successfully increase Bio-Quant's positive cash flow, we would require external financing to fund our operations.

Our current cash reserves of approximately $3.25 million as of the date of this report, which includes the $2.3 million received from the issuance of the Notes and the $1.4 million raised received from the convertible mortgage note re-financing as discussed above, should provide us with sufficient cash to fund our operations into the second half of 2011 assuming we convert or extend the maturity of significant amounts due in 2010 and 2011 under notes payable. This projection is based on the monthly operating expenses of maintaining our public listing together with the Bio-Quant's business growing at an assumed rate of 11% over 2009 levels with no additional acquisitions in 2010.

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As a result of our losses to date, expected losses in the future, limited capital resources and the maturity of more than $13 million of debt in 2010 and 2011 our independent registered public accounting firm has 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. These factors may make it more difficult for us to obtain additional funding to meet our obligations. 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. We anticipate that we will continue to incur significant losses at least until successful commercialization of one or more of our products. There can be no assurance that we can operate profitably in the future.

At December 31, 2009 we had cash and cash equivalents and short term investments of approximately $480,000 as compared to $2.8 million at December 31, 2008. During 2009, we received $3,000,000 from Warner from the sale of the U.S. rights to Vitaros® and the related facility license fees as discussed in Note 4 of the Notes to the Consolidated Financial Statements. The receipt of this cash and the $750,000 convertible note financing as discussed in Note 8 of the Notes to the Consolidated Financial Statements in 2009 was offset by our cash used in operations during 2009. We spent approximately $6.1 million consisting of our average fixed monthly overhead costs of approximately $325,000 per month in addition to $592,000 towards a cancellation fee as discussed in Note 16 of the Notes to the Consolidated Financial Statements. Additionally, we spent approximately $556,000 in severance and accrued vacation paid as part of our restructuring program implemented in December 2008, $58,000 for Nasdaq annual listing fees, $50,000 of principal on convertible notes repaid as discussed in Note 8 of the Notes to the Consolidated Financial Statements, $585,000 in costs related to the acquisition of Bio-Quant, $42,000 in legal fees and $175,000 in consulting fees related to the execution of the Warner Asset Purchase Agreement as discussed in Note 4 of the Notes to the Consolidated Financial Statements and $141,300 for legal fees in connection with a patent lawsuit in which we are the plaintiff suing for patent infringement on our herpes treatment medical device.

At December 31, 2009 we had an other receivable of $437,794 representing the proceeds from the sale of New Jersey state tax losses as described in Note 15 of the Notes to the Consolidated Financial Statements. The proceeds were not received until February 2010. In previous years the funding of the sale of such tax credits by the State took place in the same year as the sale and therefore was not recorded as a receivable.

At December 31, 2009, we had $139,495 in capital lease payables as a result of capital leases acquired through the acquisition of Bio-Quant in 2009. The terms of the lease agreements are described in Note 12 of the Notes to the Consolidated Financial Statements.

At December 31, 2009, we had $200,565 in deferred revenue as a result of the licensing of our patents to Warner in connection with the Asset Purchase Agreement, as amended, as discussed in Note 4 of the Notes to the Consolidated Financial Statements. Additionally, we have received one month's rent in advance in connection with the leasing of our facility in New Jersey as discussed in Note 5 of the Notes to the Consolidated Financial Statements.

For the year ended December 31, 2009 we incurred a net gain on disposal of fixed assets (included in general and administrative expenses in our consolidated statement of operations) of $34,450 as compared to a net loss of $904,902 in 2008. The significant loss on disposal of fixed assets in 2008 resulted from an impairment charge of approximately $884,000 to reduce the carrying amount of our land and building to reflect the current commercial real estate market as we have initiated efforts to sell this facility.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Note 2 in 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. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Our accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements. Actual results could differ from these estimates. The following is a brief description of the more significant accounting policies and related estimate 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.

Critical Estimate: In consideration of our accumulated losses and lack of historical ability to generate taxable income to utilize our deferred tax assets, we have estimated that we will not be able to realize any benefit from our temporary differences and 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 net operating loss carry-forward, 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 laws. 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 are 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.

Critical Estimate: We have initiated efforts to sell the facility housing our corporate office, research and development laboratories and manufacturing plant located in East Windsor, New Jersey. We have performed a review for impairment of our facility based on discussions with our real estate agent regarding the likely selling price of our facility and the commercial real estate market in general. Accordingly, in 2008 we took a write-down of approximately $884,000 to the carrying value of the facility to approximate the current market value. Overestimating the potential selling price of our facility in a planned sale may lead to overstating the carrying value of the manufacturing facility by not identifying an impairment loss.

Revenue recognition: Revenues from Bio-Quant's performance of pre-clinical services are recognized according to the proportional performance method whereby revenue is recognized as performance has occurred, based on the relative outputs of the performance that has occurred up to that point in time under the respective agreement, typically the delivery of report data to our clients which documents the results of our pre-clinical testing services.

Revenues from product sales are recognized upon delivery of products to customers, less allowances for returns and discounts. Royalty revenue is recognized upon the sale of the related products as reported to us by our distribution partner, provided the royalty amounts are fixed or determinable and the amounts are considered collectible. Revenues earned under license and research and development contracts are recognized in accordance with the cost-to-cost method outlined in Staff Accounting Bulletin No. 101, as amended, whereby the extent of progress toward completion is measured on the cost-to-cost basis; however, revenue recognized at any point will not exceed the cash received. If the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract would be made. All costs related to these agreements are expensed as incurred and classified within "Research and development" expenses in the Consolidated Statements of Operations and Comprehensive Loss. 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 and development fee 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, pre-clinical and clinical development, and the allocable portion of facility costs.

Also, licensing agreements typically include several elements of revenue, such as up-front payments, milestones, royalties upon sales of product, and the delivery of product and/or research services to the licensor. We follow the accounting guidance of SEC Staff Accounting Bulletin No. 104 (which superseded SEC Staff Accounting Bulletin No. 101), and ASC 605 (which became effective for contracts entered into after June 2003). Non-refundable license fees received upon execution of license agreements where we have continuing involvement are deferred and recognized as revenue over the estimated performance period of the agreement. This requires management to estimate the expected term of the agreement or, if applicable, the estimated life of its licensed patents.

In addition, ASC 605 requires a company to evaluate its arrangements under which it will perform multiple revenue-generating activities. For example, a license agreement with a pharmaceutical company may involve a license, research and development activities and/or contract manufacturing. Management is required to determine if the separate components of the agreement have value on a standalone basis and qualify as separate units of accounting, whereby consideration is allocated based upon their relative "fair values" or, if not, the consideration should be allocated based upon the "residual method." Accordingly, up-front and development stage milestone payments are and will be deferred and recognized as revenue over the performance period of such license agreement.

Critical Estimate: In calculating the relative outputs of the performance that have occurred under the proportional performance method for our pre-clinical testing services, we must determine whether we have delivered sufficient value to recognize a portion of the contract services revenue and to estimate what percentage of the total costs has been incurred at any given point in time. In calculating the progress made toward completion of a research contract or licensing agreement, we must compare costs incurred to date to the total estimated cost of the project and/or estimate the performance period. We estimate the cost and/or performance period of any given project based on our past experience in product development as well as the past experience of our research staff in their areas of expertise. Underestimating the proportion of final data generated for pre-clinical testing services or the total cost and/or performance period of a research contract or licensing agreement may cause us to accelerate the revenue recognized under such contract. Conversely, overestimating the proportion of final data for pre-clinical testing services or the cost of a research contract may cause us to delay revenue recognized.

Stock based compensation: In preparing our financial statements, we must calculate the value of stock options issued to employees, non-employee contractors and warrants issued to investors. The fair value of each option and warrant is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model is a generally accepted method of estimating the value of stock options and warrants.

Critical Estimate: The Black-Scholes option pricing model requires us to estimate the Company's dividend yield rate, expected volatility and risk free interest rate over the life of the option. Inaccurately estimating any one of these factors may cause the value of the option to be under or over estimated. See Note 2 of the Consolidated Financial Statements for the current estimates used in the Black-Scholes pricing model. We adopted the provisions of SFAS 123R commencing January 1, 2006.

Comparison of Results of Operations between the Years Ended December 31, 2009 and 2008

The revenues and expenses of Bio-Quant included in the consolidated financial statements represent 17 days of activity in 2009; from the date of the closing of the acquisition through December 31, 2009. As such, the activity is not significant to review in the comparison of the results of operations below. Please see Note 3 of the Notes to the consolidated financial statements to see a pro-forma presentation as if the acquisition had taken place in 2008.

Revenues. We recorded revenues of $2,973,708 during 2009 as compared to $5,957,491 during 2008. The higher 2008 revenue is primarily attributable to the milestone payments received in 2008 from Novartis under the licensing agreement for NM100060. As discussed in Note 4 to the Consolidated Financial Statements, we received $1.5 million from Novartis in March 2008 and another $3.5 million in October 2008. These milestones were recognized as revenue during 2008. We recognized no revenue from Novartis in 2009. We expect revenues to increase significantly in 2010 with the additional revenue to be generated by the Bio-Quant CRO business during the entire year in 2010.

Research and Development Expenses. Our research and development expenses decreased from $5,410,513 in 2008 to $1,883,458 in 2009. Research and development expenses significantly decreased in 2009 due to reduced spending in 2009 on our development programs as part of our restructuring program. During 2009 we reduced our research and development staff and infrastructure. We expect to see an increase in research and development spending in 2010 as a result of the acquisition of Bio-Quant and the expansion of our NexACT® technology into the areas of oncology, inflammation, immunology, and metabolic diseases.

General and Administrative Expenses. Our general and administrative expenses decreased from $5,720,832 in 2008 to $4,196,359 in 2009. The decrease is primarily due to a reduction in staff costs as a result of our restructuring program implemented in December 2008 along with a reduction in legal fees related to our patents as we expended over $100,000 during 2008 for one-time national filings of patent applications related to Vitaros®.

Interest Expense. We recognized $28,696,006 and $1,006,794 in interest expense in 2009 and 2008, respectively. The increased interest expense is the result of imputed interest expense recognized as a result of beneficial conversions of the convertible mortgage note as discussed in Note 8 of the Notes to the consolidated financial statements. Non cash interest expense was $28,352,598 and $693,316 for the years ended December 31, 2009 and 2008, respectively.

Net Loss. The net loss was $32,042,562 or $0.36 per share and $5,171,198 or $0.06 per share in 2009 and 2008, respectively. The significant increase in net loss is the result of imputed interest expense recognized as a result of beneficial conversions of the convertible mortgage note as discussed in Note 8 of the Notes to the consolidated financial statements.

Comparison of Results of Operations between the Years Ended December 31, 2008 and 2007

Revenues. We recorded revenues of $5,957,491 during 2008 as compared to $1,270,367 during 2007. The increase in revenue in 2008 is primarily attributable to the milestone payments received in 2008 from Novartis under the licensing agreement for NM100060. As discussed in Note 4 to the Consolidated Financial Statements, we received $1.5 million from Novartis in March 2008 and another $3.5 million in October 2008. These milestones were recognized as revenue during 2008.

Research and Development Expenses. Our research and development expenses increased from $5,022,671 in 2007 to $5,410,513 in 2008. Research and development expenses in the third quarter of 2008 increased primarily due to the expense of approximately $892,000 for a cancellation fee related to the cancellation of a clinical research agreement for a one-year open-label study for Vitaros®. This increase was partially offset by reduced spending in 2008 on our development programs including approximately $1.2 million attributable to Vitaros®, as compared to approximately $2 million for Vitaros® during 2007. We have continued to spend modestly on the early stage development of our topical treatment for psoriasis. During 2008 we initiated, and spent approximately $341,000 on the psoriasis project.

General and Administrative Expenses. Our general and administrative expenses have increased from $5,634,479 in 2007 to $5,720,832 in 2008. The increase is due to a loss on disposal of fixed assets in 2008 of $904,902 as compared to $10,121 in 2007. The significant increase in the loss on disposal of fixed assets resulted from an impairment charge of approximately $884,000 to reduce the carrying amount of our land and building to reflect the current commercial real estate market as we have initiated efforts to sell this facility. The increase in loss on disposal of fixed assets was partially offset by a decrease in salary expense of approximately $180,000 as a result of no bonuses accrued or paid in 2008 and a reduction in consulting fees of approximately $239,000, as our Chief Operating Officer hired in late 2007 and Chief Executive Officer appointed in June 2007 have taken over most of the responsibilities handled by consultants in 2007. We also reduced the cost of printing and designing our annual report by approximately $63,000 in 2008. Additionally we had a one-time expense of approximately $257,000 in 2007 for New Jersey State sales tax paid as a result of a sales tax audit covering the period from 2000 to 2007.

Interest Expense. We recognized $1,006,794 and $481,862 in interest expense in 2008 and 2007, respectively. The increase is primarily due to the interest on the $5,750,000 principal amount of convertible notes issued on June 30, 2008 and the amortization of debt issue costs for warrants issued in connection with a line of credit obtained in May 2008 compared to interest expense on lesser debt of $2,000,000 in 2007.

Net Loss. The net loss was $5,171,198 or $0.06 per share and $8,787,228 or $0.11 per share in 2008 and 2007, respectively. The decrease is primarily attributable to the significant increase in revenues attributable to the milestone payments received in 2008 from Novartis under the licensing agreement for NM100060. As discussed in Note 4 to the Consolidated Financial Statements, we received $1.5 million from Novartis in March 2008 and another $3.5 million in October 2008. These milestone payments were recognized as revenue during 2008.

Quarterly Results

The following table sets forth selected unaudited quarterly financial information for the years ended December 31, 2009 and 2008. The operating results are not necessarily indicative of results for any future period.

	For the Three Months Ended			
	March 31, 2009	**June 30, 2009**	**September 30, 2009**	**December 31, 2009**
Total Revenues	$ 2,466,670	$ 102,613	$ 109,590	$ 294,835
Income (Loss) from Operations	$ 773,257	$ (1,308,589)	$ (914,438)	$ (2,370,072)
Net Income (Loss)	$ 684,772	$ (1,426,158)	$ (1,190,616)	$ (30,543,698)
Basic & Diluted Income (Loss) Per Share	$ 0.01	$ (0.02)	$ (0.01)	$ (0.34).

	March 31, 2008	**June 30, 2008**	**September 30, 2008**	**December 31, 2008**
Total Revenues	$ 951,787	$ 1,199,612	$ 305,943	$ 3,500,149
Loss from Operations	$ (1,520,702)	$ (1,090,169)	$ (2,896,791)	$ 333,808
Net Loss	$ (1,642,187)	$ (1,628,723)	$ (3,040,094)	$ 1,139,806
Basic & Diluted Loss Per Share	$ (0.02)	$ (0.02)	$ (0.04)	$ 0.01

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors
Stockholders of NexMed, Inc.

We have audited the accompanying consolidated balance sheets of NexMed, Inc. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2009, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. Our audits of the financial statements included 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NexMed, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years ended December 31, 2009, 2008 and 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that 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 and expects to incur future losses. Further, the Company has substantial notes payable and other obligations that mature within the next 12 months. These issues raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On December 14, 2009, the Company acquired Bio-Quant Inc., a San Diego based contract research organization. See Note 3 for further details.

/s/ Amper, Politziner & Mattia, LLP

March 31, 2010
Edison, New Jersey

	December 31, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 479,888	$ 2,862,960
Accounts receivable	708,898	-
Other receivable	437,794	-
Prepaid expenses and other current assets	140,521	83,761
Total current assets	1,767,101	2,977,089
Fixed assets, net	5,616,811	5,519,652
Goodwill	9,084,476	-
Intangible assets, net of accumulated amortization	4,145,006	-
Due from related party	204,896	-
Debt issuance cost, net of accumulated amortization of $169,304 and $129,980	115,047	91,139
Total assets	$ 20,933,337	$ 8,557,512
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable - former Bio-Quant shareholders	$ 12,129,010	$ -
Accounts payable and accrued expenses	1,453,621	1,029,486
Payroll related liabilities	279,960	296,135
Deferred revenue	118,115	-
Capital lease payable - current portion	24,530	-
Due to related parties	99,682	-
Deferred compensation - current portion	70,000	74,245
Total current liabilities	14,174,918	1,399,866
Long term liabilities		
Convertible notes payable	2,990,000	4,690,000
Deferred revenue	82,450	-
Capital lease payable	114,965	-
Deferred compensation	865,602	935,517
Total liabilities	18,227,935	7,025,383
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Common stock, $.001 par value, 120,000,000 shares authorized, 104,821,571 and 84,350,361 shares issued and outstanding, respectively	104,822	84,351
Additional paid-in capital	174,332,442	141,137,078
Accumulated deficit	(171,731,862)	(139,689,300)
Total stockholders' equity	2,705,402	1,532,129
Total liabilities and stockholders' equity	$ 20,933,337	$ 8,557,512

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

NexMed, Inc.
Consolidated Statements of Operations

	For the Year Ended December 31,		
	2009	**2008**	**2007**
License fee revenue	$ 2,681,271	$ 5,957,491	$ 1,270,367
Contract service revenue	292,437	-	-
Total Revenue	2,973,708	5,957,491	1,270,367
Cost of Services	128,355	-	-
Gross Profit	2,845,353	5,957,491	1,270,367
Costs and expenses			
Research and development	1,883,458	5,410,513	5,022,671
General and administrative	4,196,359	5,720,832	5,634,479
Acquisition costs	585,378	-	-
Total costs and expenses	6,665,195	11,131,345	10,657,150
Loss from operations	(3,819,842)	(5,173,854)	(9,386,783)
Other income (expense)			
Interest income	25,291	71,793	275,508
Other income	10,201	-	-
Interest expense	(28,696,006)	(1,006,794)	(481,862)
Total other income (expense)	(28,660,514)	(935,001)	(206,354)
Loss before benefit from income taxes	(32,480,356)	(6,108,855)	(9,593,137)
Benefit from income taxes	437,794	937,657	805,909
Net loss	$ (32,042,562)	$ (5,171,198)	$ (8,787,228)
Basic and diluted loss per share	$ (.36)	$ (.06)	$ (.11)
Weighted average common shares outstanding used for basic and diluted loss per share	88,596,829	83,684,806	82,015,909

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

NexMed, Inc.
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock (Shares)	Common Stock (Amount)	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at January 1, 2007	80,285,905	$ 80,287	$ 137,164,658	$ (125,730,874)	$ (9,596)	$ 11,504,475
Issuance of common stock upon exercise of stock options and warrants, net	1,717,943	1,718	219,175	-	-	220,893
Issuance of compensatory options to employees and consultants	-	-	776,835	-	-	776,835
Issuance of compensatory stock to employees and consultants	609,000	609	89,391	-	-	90,000
Issuance of common stock in payment of interest on notes	145,614	146	190,602	-	-	190,748
Issuance of compensatory stock to the board of directors	304,540	305	288,693	-	-	288,998
Net offering costs from issuance of common stock	-	-	(2,110)	-	-	(2,110)
Discount on Note payable for issuance of warrants	-	-	512,550	-	-	512,550
Realized gain on foreign currency exchange					9,596	9,596
Net loss	-	-	-	(8,787,228)	-	(8,787,228)
Balance at December 31, 2007	83,063,002	$ 83,064	$ 139,239,795	$ (134,518,102)	-	$ 4,804,757
Issuance of common stock upon exercise of stock options and warrants	526,909	527	459,221	-	-	459,748
Issuance of compensatory options to employees and consultants	-	-	138,511	-	-	138,511
Issuance of compensatory stock to employees and consultants	382,500	382	704,350	-	-	704,732
Issuance of compensatory stock to the board of directors	377,950	378	480,451	-	-	480,829
Discount on Note payable for issuance of warrants	-	-	114,750	-	-	114,750
Net loss	-	-	-	(5,171,198)	-	(5,171,198)
Balance at December 31, 2008	84,350,361	$ 84,351	$ 141,137,078	$ (139,689,300)	-	$ 1,532,129
Issuance of compensatory stock to employees and consultants	810,375	810	690,433	-	-	691,243
Issuance of compensatory stock to the board of directors	253,488	254	211,174	-	-	211,428
Issuance of common stock to the Bio-Quant shareholders as consideration for the acquisition	4,000,000	4,000	1,596,000	-	-	1,600,000
Issuance of common stock in payment of convertible notes payable	15,357,347	15,357	30,697,807	-	-	30,713,164
Issuance of common stock to warrant holders for early forfeiture	50,000	50	(50)	-	-	0
Net loss	-	-	-	(32,042,562)	-	(32,042,562)
Balance at December 31, 2009	104,821,571	$ 104,822	$ 174,332,442	$ (171,731,862)	-	$ 2,705,402

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

NexMed, Inc.
Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
	2009	**2008**	**2007**
Cash flows from operating activities			
Net loss	$ (32,042,562)	$ (5,171,198)	$ (8,787,228)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	387,708	486,420	621,869
Non-cash interest, amortization of debt discount and deferred financing costs	28,352,598	693,316	408,538
Non-cash compensation expense	902,671	1,324,072	1,155,832
Net gain on foreign currency exchange	-	-	9,596
(Gain) loss on disposal of property and equipment	(31,345)	904,902	10,121
Changes in assets and liabilities, net of amounts acquired from Bio-Quant, Inc.			
Increase in accounts receivable	(132,960)	-	-
(Increase) decrease in other receivable	(437,794)	-	183,700
Decrease in prepaid expense and other assets	73,817	43,898	37,239
Increase (decrease) in deferred revenue	189,980	(953,528)	(740,389)
(Decrease) increase in payroll related liabilities	(16,175)	(397,639)	537,207
(Decrease) increase in deferred compensation	(74,160)	(50,512)	(58,036)
(Decrease) increase in accounts payable and accrued expenses	(686,427)	407,818	33,918
Net cash used in operating activities	(3,514,649)	(2,712,451)	(6,587,633)
Cash flows from investing activities			
Capital expenditures	(5,526)	(28,988)	(100,875)
Proceeds from sale of fixed assets	350,000	75,000	-
Purchases of short term investments	-	-	(3,000,000)
Proceeds from sale of short term investments		750,000	3,250,000
Net cash provided by investing activities	344,474	796,012	149,125
Cash flows from financing activities			
Issuance of convertible notes payable, net of debt issue costs	686,678	5,643,711	-
Repayment of notes payable	(50,000)	(4,000,000)	(2,000,000)
Proceeds from exercise of stock options and warrants		459,748	220,893
Issuance of notes payable, net of debt issue costs	-	-	2,886,532
Issuance of common stock, net of offering costs	-	-	(2,110)
Repayment of convertible notes payable		(60,000)	(3,000,000)
Principal payments on capital lease obligations	(601)	-	-
Net cash provided by (used in) financing activities	636,077	2,043,459	(1,894,685)
Net increase (decrease) in cash and cash equivalents	(2,534,098)	127,020	(8,333,193)
Cash and cash equivalents			
Beginning of period	3,013,986	2,735,940	11,069,133
End of period	$ 479,888	$ 2,862,960	$ 2,735,940
Cash paid for interest	$ 303,652	$ 324,314	$ 119,307
Supplemental disclosure of non-cash investing and financing activities:			
Issuance of notes to former Bio-Quant shareholders upon acquisition	$ 12,129,010	$ -	$ -
Issuance of common stock in payment of convertible notes payable	$ 3,475,377	$ -	$ -
Issuance of 4 million shares of common stock to former Bio-Quant shareholders upon acquisition	$ 1,600,000	$ -	$ -
Payment of interest in common stock	$ 21,247	$ -	$ 190,748
Amortization of debt discount	$ -	$ 461,295	$ 178,640

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

1. Organization, Basis of Presentation and Liquidity

NexMed, Inc. (the "Company") was incorporated in Nevada in 1987. The Company has historically focused its efforts on drug development using its patented drug delivery technology known as NexACT® – see Note 4 for description of licensing agreements of its proprietary products.

On December 14, 2009, the merger (the "Merger") contemplated by the Agreement and Plan of Merger (the "Merger Agreement") dated November 20, 2009 by and among NexMed, Inc. (the "Company") and BQ Acquisition Corp., a wholly-owned subsidiary of the Company ("Merger Sub") with Bio-Quant, Inc. ("Bio-Quant"), was completed. Accordingly, the results of operations of the acquired company have been included in the consolidated results of operations of the Company from December 14, 2009, the date of the Merger. Bio-Quant is one of the largest specialty biotech contract research organization ("CRO") based in San Diego, California and is one of the industry's most experienced CROs for non-GLP (good laboratory practices) *in vitro* and *in vivo* contract drug discovery and pre-clinical development services, specializing in oncology, inflammation, immunology, and metabolic diseases. Bio-Quant has over 300 clients world-wide and performs hundreds of studies a year both in *in vitro* and *in vivo* pharmacology, pharmacokinetic (PK) and toxicology to support pre-regulatory filing packages.

The combined Company is currently focusing its efforts on new and patented pharmaceutical products based on NexACT® and on growing the newly acquired CRO business through organic growth within Bio-Quant's current business operations and through acquiring small cash flow positive entities who have complimentary capabilities to those of Bio-Quant but are not operating at full capacity due to insufficient business development efforts. This strategy will ensure Bio-Quant's expansion through broadening its service capabilities and going into new markets.

The Company's long-term goal is to generate revenues from the growth of its CRO business while aggressively seeking to monetize the NexACT® technology through out-licensing agreements with pharmaceutical and biotechnology companies worldwide. At the same time the Company is actively pursuing partnering opportunities for its clinical stage NexACT® based treatments in the areas of dermatology and sexual dysfunction as discussed below. The successful licensing of one or more of these products will generate additional revenues for funding the Company's long-term growth strategy.

The Company now operates in two segments – designing and developing pharmaceutical products and providing pre-clinical CRO services through its subsidiary, Bio-Quant.

Liquidity
The accompanying consolidated 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 ($171,731,862) at December 31, 2009 and expects that it will incur additional losses in the future completing the research and development of its technologies, and integrating the operations of Bio-Quant into its strategies. Further, the Company has substantial notes payable due within 12 months, which if not converted to common stock or re-financed, would significantly impact liquidity. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. Management anticipates that the Company will require additional financing, which it is actively pursuing, to fund operations, including continued research and development of the Company's NexACT technology, integration of the Bio-Quant CRO business, and to fund potential future acquisitions. 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. See Note 18 for description of funds raised to date in 2010. If the Company is unable to obtain additional financing, operations will need to be reduced or discontinued. 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 wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash and cash equivalents
Cash equivalents represent all highly liquid investments with an original maturity date of three months or less.

Accounts Receivable
Our policy is that an allowance is recorded for estimated losses resulting from the inability of our customers to make required payments. Such allowances are computed based upon a specific customer account review of larger customers and balances in excess of 90 days old. Our assessment of our customers' ability to pay generally includes direct contact with the customer, investigation into our customers' financial status, as well as consideration of our customers' payment history with us. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. If we determine, based on our assessment, that it is more likely than not that our customers will be unable to pay, we will write-off the account receivables.

Fair value of financial instruments
The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Significant differences can arise between the fair value and carrying amounts of financial instruments that are recognized at historical cost amounts. Given our financial condition described in Note 1, it is not practicable to estimate the fair value of our notes payable at December 31, 2009.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and deferred compensation approximates fair value due to the relatively short maturity of these instruments.

Fixed assets
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 our building in East Windsor New Jersey is provided on a straight-line basis over the 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 future cash flows or appraised values, depending on the nature of the asset. The Company recorded an impairment charge of $884,271 in 2008 to reduce the carrying amount of its land and building to reflect the current commercial real estate market, as the Company had initiated efforts to sell its facility. The Company leased its facility in December 2009 (See note 5). This charge is recorded within general and administrative expenses on the statement of operations. No such impairment losses have been recorded by the Company during 2007 or 2009.

Other intangible assets
Other intangible assets consists principally of the Trade Name of Bio-Quant and the Know-How acquired from Bio-Quant, which were recorded at fair value in connection with the acquisition of Bio-Quant on December 14, 2009. The Company expects to amortize Know-How over the expected useful life of 10 years and the Trade Name over the expected useful life of 20 years**.**

Management evaluates the recoverability of such other intangible assets whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. The evaluation is based on estimates of undiscounted future cash flows over the remaining useful life of the assets. If the amount of such estimated undiscounted future cash flows is less than the net book value of the asset, the asset is written down to fair value. As of December 31, 2009, no such write-down was required.

Goodwill
Goodwill was recorded in connection with the acquisition of Bio-Quant on December 14, 2009, and will be included in the CRO segment. Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations accounted for as purchases. See Note 3.

The Company follows the provision of FASB ASC 805, *Business Combinations,* which requires an annual impairment test for goodwill and intangible assets with indefinite lives. Under FASB ASC 805, the first step of the impairment test requires that the Company determine the fair value of each reporting unit, and compare the fair value to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform a second more detailed impairment assessment. The second impairment assessment involves comparing the implied fair value of the reporting unit's goodwill to the carrying amount of goodwill to quantify an impairment charge as of the assessment date.

Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the businesses, the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. The Company will perform its annual impairment test on December 31 each year, unless triggering events occur that would cause the Company to test for impairment at interim periods. At December 31, 2009, no impairment was recorded.

Deferred Financing Costs
Amounts paid related to debt financing activities are capitalized and amortized over the term of the loan. Our expenses incurred related to the convertible notes payable are being amortized over the three-year term of the notes to interest expense on a straight-line basis which approximates the effective interest rate method.

Revenue recognition
Bio-Quant's revenues are derived from two sources, the delivery of pre-clinical services and the sale of diagnostic kits. Both of these sources are part of the CRO services segment. Revenues from Bio-Quant's performance of pre-clinical services are recognized according to the proportional performance method whereby revenue is recognized as performance occurs, based on the relative outputs of the performance that have occurred up to that point in time under the respective agreement, typically the delivery of data to our clients on the results of the pre-clinical tests or the delivery of the formal report which documents the results of our pre-clinical testing services. Deferred revenues represent billings in advance of the recognition of revenue. When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is made in the period which it becomes probable. All costs related to these agreements are expensed as incurred and classified within "Cost of Services" expenses in the Consolidated Statements of Operations.

Revenues from sales of diagnostic kits are recognized upon delivery of products to customers, less allowances for estimated returns and discounts.

Revenues from the drug development technology segment consist principally of licensing revenues, and revenues under research and development contracts with our licensing partners. Revenues earned under licensing and research and development contracts are recognized in accordance with the cost-to-cost method whereby the extent of progress toward completion is measured on the cost-to-cost basis; however, revenue recognized at any point will not exceed the cash received. When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is made in the period which it becomes probable. All costs related to these agreements are expensed as incurred and classified within "Research and development" expenses in the Consolidated Statements of Operations.

Also, licensing agreements typically include several elements of revenue, such as up-front payments, milestones, royalties upon sales of product, and the delivery of product and/or research services to the licensor. We follow the accounting guidance of ASC 605. Non-refundable license fees received upon execution of license agreements where we have continuing involvement are deferred and recognized as revenue over the estimated performance period of the agreement. This requires management to estimate the expected term of the agreement or, if applicable, the estimated life of its licensed patents.

In addition, ASC 605 requires a company to evaluate its arrangements under which it will perform multiple revenue-generating activities. For example, a license agreement with a pharmaceutical company may involve a license, research and development activities and/or contract manufacturing, and royalties upon commercialization of the product. Management is required to determine if the separate components of the agreement have value on a standalone basis and qualify as separate units of accounting, whereby consideration is allocated based upon their relative "fair values" or, if not, the consideration should be allocated based upon the "residual method." Accordingly, up-front and development stage milestone payments will be deferred and recognized as revenue over the performance period of such license agreement.

There have been no royalties received during the years ended December 31, 2009, 2008 and 2007.

Research and development
Research and development costs are expensed as incurred and include the cost of salaries, building costs, utilities, allocation of indirect costs, and expenses to 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.

The Company also follows the provisions of "Accounting for Uncertainty in Income Taxes" which prescribes a model for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. At December 31, 2009 the Company did not have any significant unrecognized tax benefits.

Loss per common share
Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the period. The computation of diluted earnings per share does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on per share amounts.

At December 31, 2009, 2008 and 2007, outstanding options to purchase 2,950,702, 3,368,991 and 3,469,841 shares of Common Stock, respectively, with exercise prices ranging from $0.55 to $12.00 have been excluded from the computation of diluted loss per share as they are antidilutive. At December 31, 2009, 2008 and 2007, outstanding warrants to purchase 6,979,130, 12,118,044 and 12,439,954, shares of Common Stock, respectively, with exercise prices ranging from $0.55 to $4.04 have also been excluded from the computation of diluted loss per share as they are antidilutive. Promissory notes convertible into 1,495,000 and 2,345,000 shares of Common Stock in 2009 and 2008, respectively have also been excluded from the computation of diluted loss per share, as they are antidilutive. Additionally, promissory notes issued in connection with the Bio-Quant acquisition are convertible, at the Company's option, into 72,196,488 shares of common stock have been excluded from the computation of diluted loss per share, as they are ant-dilutive.

Accounting for stock based compensation
The value of restricted stock grants are calculated based upon the closing stock price of the Company's Common Stock on the date of the grant. For stock options granted to employees and directors, we recognize compensation expense based on the grant-date fair value estimated in accordance with the appropriate accounting guidance, and recognized over the expected service period. We estimate the fair value of each option award on the date of grant using the Black-Scholes option pricing model. Stock options and warrants issued to consultants are accounted for in accordance with accounting guidance. Compensation expense is calculated each quarter for consultants using the Black-Scholes option pricing model until the option is fully vested and is included in research and , development or general and administrative facility expenses, based upon the services performed by the recipient.

Additional disclosures required under FASB ASC 718, "Stock Compensation" are presented in Note 9.

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. The Company's credit risk with respect to accounts receivable is limited, in that the CRO segment serves a large number of customers, none of which is individually in excess of 10% of the revenues of the segment. We perform credit evaluations of our customers, but generally do not require collateral to support accounts receivable.

Accounting estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. The Company's most significant estimates relate to the valuation of its long-lived assets, whether revenue recognition criteria have been met, estimated cost to complete under its research contracts, whether beneficial conversion features exist under convertible financing instruments, and valuation allowances for its deferred tax benefit. Actual results may differ from those estimates.

Recent accounting pronouncements
In June 2009, the Financial Accounting Standards Board ("FASB") issued its final Statement of Financial Accounting Standards (SFAS) No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162." SFAS No. 168 made the FASB Accounting Standards Codification (the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the Company beginning July 1, 2009. Following SFAS No. 168, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates. The FASB will not consider Accounting Standards Updates as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification.

In October 2009, the FASB issued FASB ASU 2009-13, Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements. The consensus in ASU 2009-13 supersedes certain guidance in ASC 605-25, *Revenue Recognition – Multiple Element Arrangements*, and requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices (i.e., the relative-selling-price method). The consensus eliminates the use of the residual method of allocation (i.e., in which the undelivered element is measured at its estimated selling price and the delivered element is measured as the residual of the arrangement consideration) and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue for an arrangement with multiple deliverables subject to ASC 605-25. When applying the relative-selling-price method, the determination of the selling price for each deliverable must be consistent with the objective of determining vendor-specific objective evidence of fair value (VSOE); that is, the price at which the entity does or would sell the element on a stand-alone basis. This determination requires the use of a hierarchy designed to maximize the entity's use of available, objective evidence to support its selling price. The entity must consider market conditions as well as entity-specific factors when estimating this selling price. The amendments in ASU 2009-13 require both ongoing disclosures regarding an entity's multiple-element revenue arrangements as well as certain transitional disclosures during periods after adoption. The objective of the ongoing disclosures is to provide information regarding the significant judgments and estimates made and their impact on revenue recognition. Additionally, disclosures will be made when changes in either those judgments or the application of the relative-selling-price method may significantly affect the timing or amount of revenue recognition. An entity will be required to aggregate these disclosures for similar types of arrangements. Adoption will be required for the year beginning January 1, 2011.

In December 2007, the FASB updated "Business Combinations." Among other requirements, the update requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. The update also requires a.) costs incurred to effect the acquisition to be recognized separately from the acquisition as period costs; b.) the acquirer to recognize restructuring costs that the acquirer expects to incur, but is not obligated to incur, separately from the business combination; and c.) an acquirer to recognize assets and liabilities assumed arising from contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. Other key provisions of this update include the requirement to recognize the acquisition-date fair values of research and development assets separately from goodwill and the requirement to recognize changes in the amount of deferred tax benefits that are recognizable due to the business combination in either income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. The Company adopted this update as of December 28, 2008 and has applied its provisions prospectively to business combinations that have occurred after adoption. In April 2009, the FASB issued "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies." This update requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with "Accounting for Contingencies," and "Reasonable Estimation of the Amount of a Loss." Further, the FASB decided to remove the subsequent accounting guidance for assets and liabilities arising from contingencies, and carry forward without significant revision the guidance in "Business Combinations." This update is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 28, 2008. The Company adopted this update effective December 16, 2008, and applied this guidance to our acquisition of Bio-Quant (see Note 3).

In April 2009, the FASB issued "Interim Disclosures about Fair Value of Financial Instruments." This update amends "Disclosures about Fair Value of Financial Instruments," to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This update also amends Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. This update became effective for the interim period ending June 27, 2009 and did not have a material impact on the Company's consolidated financial statements.

In September 2006, the FASB issued guidance which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This guidance applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this guidance does not require any new fair value measurements. The provision delayed the effective date of ASC 820 for all non-financial assets and non-financial liabilities, except for the items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the Company's fiscal year beginning on January 1, 2009. The application of this guidance did not have a material effect on the December 31, 2009 Consolidated Financial Statements.

3. Acquisition

On December 14, 2009, the Company entered into the Merger Agreement with Bio-Quant. Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each outstanding share of common stock, par value $0.01 per share, of Bio-Quant was canceled and converted into the right to receive 913.96 shares of common stock, par value $0.001 per share, of the Company (the "NexMed Shares"), as well as a promissory note (each, a "Note") in the original principal amount of $2,771.37. In connection with the closing of the Merger, the Company issued an aggregate of 4,000,000 NexMed Shares and Notes in the aggregate original principal amount of $12,129,010 to the shareholders of Bio-Quant.

The Notes bear interest at a rate of 10% per annum, with all principal and interest accrued thereunder becoming due and payable one year from the closing date of the Merger. The terms of the Notes provide that the principal amounts and all interest thereunder are payable by the Company in cash or, at the Company's option, in NexMed Shares, which shall be valued at the fixed price of $0.168 per share. The Merger Agreement provides that if the Company repays the Notes in NexMed Shares, the total number of NexMed Shares issuable to Bio-Quant shareholders shall not exceed 19.99% of outstanding NexMed Shares at the Effective Time unless the Company receives stockholder approval to do so. If the Company receives such stockholder approval, the total number of NexMed Shares issued to Bio-Quant shareholders in the Merger will not exceed 45% of outstanding NexMed Shares immediately prior to the Effective Time.

The acquisition was accounted for under the purchase method of accounting under FASB ASC 805 *Business Combinations*,. The Company has determined that it is the "accounting acquirer" in this transaction, as it meets the predominance of the factors outlined in FASB ASC 805. Accordingly, the results of operations of the acquired company have been included in the consolidated results of operations of the Company from the date of the Merger.

The total consideration was estimated to be approximately $13.7 million as of December 14, 2009, the date the Merger was consummated, as follows (in thousands):

Fair value of 4,000,000 shares of common stock issued for Bio-Quant common stock	$	1,600
Fair value of promissory notes issued for Bio-Quant common stock		12,129
Total consideration	$	13,729

The fair value of the shares of NexMed common stock issued was based on the closing price of the Company's common stock on December 14, 2009, the date the Merger was consummated, or $0.40 per share.

The purchase price was allocated based on the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the Merger. An allocation of the purchase price was made to major categories of assets and liabilities in the accompanying consolidated balance sheet based on management's best estimates. The fair value of the other current assets and assumed liabilities were estimated by management based upon the relative short term nature of the accounts and the fair value of the machinery and equipment was established based upon expected replacement costs.

Management obtained the assistance of an independent third party valuation specialist in performing its purchase price allocation analysis. The fair value of Bio-Quant's tangible and identifiable intangible assets were determined based on this analysis. The excess of the purchase price over the estimated fair value of tangible and identifiable intangible assets acquired and liabilities assumed was allocated to goodwill.

Accordingly, the purchase price is allocated to the assets and liabilities of Bio-Quant as presented below (in thousands):

Cash & cash equivalents	$	151
Accounts receivable		576
Prepaids and other current assets		105
Other assets		27
Property and equipment		783
Due from related party		205
Accounts payable and accrued expenses		(1,041)
Related party payable		(85)
Deferred revenue		(45)
Other current liabilities		(68)
Other long term liabilities		(122)
Amortizable intangible assets:		
Know-How		3,037
Trade Name		1,123
Indefinite lived intangible assets:		
Goodwill		9,083
Total net assets acquired	$	13,729

Intangible assets of $4,160,000 consist primarily of developed Know-How and the Bio-Quant Trade Name. Developed Know-How relates to Bio-Quant's pre-clinical service expertise including, but not limited to, its extensive inventory of internally developed cell lines. The Bio-Quant Trade Name represents future revenue attributable to the reputation and name recognition of Bio-Quant within the pharmaceutical industry where Bio-Quant is a known expert in pre-clinical services.

Bio-Quant is a revenue generating, cash flow positive CRO. Bio-Quant is expected to continue its revenue growth and cash generating CRO business. The $9,083,000 of goodwill generated from the acquisition of Bio-Quant consists largely of the ability of the Bio-Quant CRO to continue to grow its revenues and generate positive cash flow to contribute to the pharmaceutical product development business segment of the Company.

Costs associated with the merger of $585,378 were expensed for the year ended December 31, 2009.

The following unaudited pro forma consolidated results of operations for the period assumes the acquisition of Bio-Quant had occurred as of January 1, 2008, giving effect to purchase accounting adjustments. The pro forma data is for informational purposes only and may not necessarily reflect the actual results of operations had Bio-Quant been operated as part of the Company since January 1, 2008 (in thousands).

Consolidated Pro Forma Statements of Operations
(unaudited)

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	As Presented	Pro Forma	As Presented	Pro Forma
Revenues	$ 2,974	$ 8,715	$ 5,957	$ 10,998
Net Loss	(32,043)	(32,196)	(5,171)	(8,686)
Net loss per basic and diluted shares	$ (0.36)	$ (0.36)	$ (0.06)	$ (0.10)

4. Licensing and Research and Development Agreements

Vitaros

On November 1, 2007, the Company signed an exclusive licensing agreement with Warner Chilcott Company, Inc., ("Warner") for its topical alprostadil-based cream treatment for erectile dysfunction ("Vitaros®"). Under the agreement, Warner acquired the exclusive rights in the United States to Vitaros® and would assume all further development, manufacturing, and commercialization responsibilities as well as costs. Warner agreed to pay the Company an up- front payment of $500,000 and up to $12.5 million in milestone payments on the achievement of specific regulatory milestones. In addition, the Company was eligible to receive royalties in the future based upon the level of sales achieved by Warner, assuming the product is approved by the U.S. Food and Drug Administration ("FDA").

The Company has recognized the initial up-front payment as revenue on a straight line basis over the nine month period ended July 31, 2008 which was the remaining review time by the FDA for the Company's new drug application filed in September 2007 for Vitaros®. Pursuant to the agreement, NexMed was responsible for obtaining regulatory approval of Vitaros®. Accordingly, for the years ended December 31, 2008 and 2007, the Company recognized licensing revenue of $388,889 and $111,111, respectively, related to the Warner agreement.

On February 3, 2009, the Company terminated the licensing agreement and sold the U.S. rights for Vitaros® to Warner. Under the terms of the Asset Purchase Agreement, the Company received an up-front payment of $2.5 million and is eligible to receive an additional payment of $2.5 million upon Warner's receipt of a New Drug Application (NDA) approval for Vitaros® from the FDA. As such, the Company is no longer responsible for obtaining regulatory approval of Vitaros® and will no longer be eligible to receive royalties in the future based upon the level of sales achieved by Warner. In addition, Warner has paid the Company a total of $350,000 for the manufacturing equipment for Vitaros®.and recognized a gain of $43,840. While the Company believes that Warner is currently moving forward in pursuing NDA approval for Vitaros®, Warner is not obligated by the Asset Purchase Agreement to continue with the development of Vitaros® or obtain approval of Vitaros® from the FDA. The Company allocated $2,398,000 of the $2,500,000 purchase price to the U.S. rights for Vitaros® and the related patents acquired by Warner. The balance of $102,000 was allocated to the rights of certain technology based patents which Warner licensed as part of the sale of U.S. rights for Vitaros®. The $2,398,000 is recognized as revenue for year ended December 31, 2009, as the Company has no continuing obligations or rights with respect to Vitaros® in the U.S. market. The $102,000 allocated to the patent license is being recognized over a period of ten years, the estimated useful commercial life of the patents. Accordingly, $9,350 is being recognized as revenue for the year ended December 31, 2009. The balance of $92,650 is recorded as deferred revenue on the Consolidated Balance Sheet at December 31, 2009.

On April 15, 2009, the Company entered into a First Amendment (the "Amendment") to the Asset Purchase Agreement. The Amendment provided that from May 15, 2009 through September 15, 2009, the Company would permit certain representatives of Warner access to and use of the Company's manufacturing facility for the purpose of manufacturing Vitaros®, and in connection therewith the Company would provide reasonable technical and other assistance to Warner. In consideration, Warner would pay to the Company a fee of $50,000 per month, or $200,000 in the aggregate. The arrangement was subject to extension for successive 30 day periods for additional consideration of $50,000 per month until terminated by either party prior to the expiration of each successive period. On September 15, 2009, Warner decided not to extend the facility usage period. For the year ended December 31, 2009, the Company recorded $200,000 in revenue for the fees received from May 15th through September 15th.

NM100060

On September 15, 2005, the Company signed an exclusive global licensing agreement with Novartis International Pharmaceutical Ltd. ("Novartis") for its anti-fungal product, NM100060. Under the agreement, Novartis acquired the exclusive worldwide rights to NM100060 and would assume all further development, regulatory, manufacturing and commercialization responsibilities as well as costs. Novartis agreed to pay the Company up to $51 million in upfront and milestone payments on the achievement of specific development and regulatory milestones, including an initial cash payment of $4 million at signing. In addition, the Company was eligible to receive royalties based upon the level of sales achieved and to receive reimbursements of third party preclinical study costs up to $3.25 million. The Company began recognizing the initial up- front and preclinical reimbursement revenue from this agreement based on the cost-to-cost method over the 32-month period estimated to complete the remaining preclinical studies for NM100060. On February 16, 2007, the Novartis agreement was amended. Pursuant to the amendment, the Company was no longer obligated to complete the remaining preclinical studies for NM100060. Novartis took over all responsibilities and completed the remaining preclinical studies. As such, the balance of deferred revenue of $1,693,917 at December 31, 2006 was recognized as revenue on a straight line basis over the 18 month period ended June 30, 2008 which was the performance period for Novartis to complete the remaining preclinical studies. Accordingly, for the years ended December 31, 2008 and 2007, the Company recognized licensing revenue of $564,639 and $1,129,276 respectively, related to the initial $4 million cash payment from the Novartis agreement.

On March 4, 2008, the Company received a $1.5 million milestone payment from Novartis pursuant to the terms of the licensing agreement whereby the payment was due seven months after the completion of patient enrollment for the Phase 3 clinical trials for NM100060, which occurred in July 2007. Although the completion of patient enrollment in the Phase 3 clinical trials for NM100060 triggered a $3 million milestone payment from Novartis, the agreement also provided that clinical milestones paid to us by Novartis shall be reduced by 50% until the Company receives an approved patent claim on the NM100060 patent application filed with the U.S. patent office in November 2004. The $1.5 million milestone payment was recognized on a straight-line basis over the six month period to complete the Phase 3 clinical trial, and therefore the $1.5 million milestone payment was recognized as revenue during the year ended December 31, 2008.

In July 2008, Novartis completed testing for the Phase 3 clinical trials for NM100060 required for the filing of the NDA in the U.S. On August 26, 2008, the Company announced that Novartis had decided not to submit the NDA in the U.S. based on First Interpretable Results of the Phase 3 trials.

On October 17, 2008, the Company received a Notice of Allowance for its U.S. patent covering NM100060. Pursuant to the license agreement, the payment of the issuance fee for an approved patent claim on NM100060 triggered the $2 million patent milestone payment from Novartis. Additionally, $1.5 million, which represents the remaining 50% of the patient enrollment milestone also became due and payable. As such the Company received a payment of $3.5 million from Novartis on October 30, 2008 and recognized it as licensing revenue for the year ended December 31, 2008.
In total, the Company recognized $5,564,639 and $1,129,276 of revenue related to the Novartis agreements for the years ended December 31, 2008 and 2007, respectively.

In July 2009, Novartis completed final analysis of the comparator study which they had initiated in March 2007 in ten European countries. The study results were insufficient to support marketing approval in Europe. As such, on July 8, 2009, the Company announced the mutual decision reached with Novartis to terminate the licensing agreement. Accordingly, pursuant to the Termination Agreement, Novartis has provided the Company reports associated with the Phase III clinical trials conducted for NM100060 and is assisting and supporting the Company in connection with the assignment, transfer and delivery to the Company of all know-how and data relating to NM100060 in accordance with the terms of the License Agreement.

In consideration of such assistance and support, the Company will pay to Novartis 15% of any upfront and/or milestone payments that it receives from any future third party licensee of NM100060, as well as a royalty fee ranging from 2.8% to 6.5% of annual net sales of products developed from NM100060 (collectively, "Products"), with such royalty fee varying based on volume of such annual net sales. In the event that the Company, or a substantial part of its assets, is sold, the Company will pay to Novartis 15% of any upfront and/or milestone payments received by the Company or its successor relating to the Products, as well as a royalty fee ranging from 3% to 6.5% of annual net sales of any Products, with such royalty fee varying based on volume of such annual net sales. If the acquirer makes no upfront or milestone payments, the royalty fees payable to Novartis will range from 4% to 6.5% of annual net sales of any Products.

5. Fixed Assets

Fixed assets at December 31, 2009 and 2008 were comprised of the following:

	2009	2008
Land	$ 363,909	$ 363,909
Building, including impairment charge of $884,271 in 2008	6,042,583	6,378,587
Leasehold improvements	650,991	-
Machinery and equipment	2,517,256	2,599,159
Computer software	622,313	600,167
Furniture and fixtures	253,846	188,935
	10,450,898	10,130,757
Less: accumulated depreciation and amortization	(4,834,087)	(4,611,105)
	$ 5,616,811	$ 5,519,652

Depreciation and amortization expense was $372,714 , $486,420 and $621,870 for 2009, 2008 and 2007 respectively. Assets held under capital lease, acquired with Bio-Quant and included in the above table, amounted to $147,138 at December 31, 2009

In December, 2009, the Company entered into an agreement to lease its facility in East Windsor New Jersey for a period of 10 years at $34,450 per month with annual 2.5% escalations. Further, the tenant has an option to purchase the building for an initial purchase price of $4.4 million (plus a 2.5% annual escalation commencing in year 5 of the sublease). The lease commencement date was February 1, 2010. As such, the tenant moved into the facility on February 1, 2010 and per the terms of the lease agreement, will commence paying monthly lease payments on May 1, 2010.

6. Intangible Assets

Intangible assets are listed below with associated accumulated amortization as of December 31, 2009:

Bio-Quant Know-How	$ 3,037,000
Bio-Quant Trade Name	1,123,000
Accumulated amortization	(14,994)
Intangible assets, net	$ 4,145,006

The Company is currently amortizing Know-How over the expected useful life of 10 years and the Trade Name over the expected useful life of 20 years. Amortization expense amounted to $14,994 for the year ended December 31, 2009. Based on the carrying amount of intangible assets, assuming no future impairment of underlying assets, the estimated future amortization expense for the next five years ended December 31 and thereafter is as follows:

2010	$ 359,860
2011	359,860
2012	359,860
2013	359,860
2014	359,860
Thereafter	2,345,706
Total future amortization expense	$ 4,145,006

7. Deferred Compensation

On February 27, 2002, the Company entered into an employment agreement with Y. Joseph Mo, Ph.D., that had a constant term of five years, and pursuant to which Dr. Mo served as the Company's Chief Executive Officer and President. Under the employment agreement, Dr. Mo is entitled to deferred compensation in an annual amount equal to one sixth of the sum of his base salary and bonus for the 36 calendar months preceding the date on which the deferred compensation payments commence subject to certain limitations, including a vesting requirement through the date of termination, as set forth in the employment agreement. The deferred compensation is payable monthly for 180 months commencing on termination of employment. Dr. Mo's employment was terminated as of December 15, 2005 and the present value of the vested portion of the obligation was recognized. The monthly deferred compensation payment through May 15, 2021 will be $9,158. As of December 31, 2009 and 2008, the Company has accrued $935,602 and $1,009,762 respectively, which is included in deferred compensation.

8. Convertible Notes Payable

On June 30, 2008, the Company issued convertible notes (the "Convertible Notes") in an aggregate principal amount of $5.75 million. The Convertible Notes are collateralized by the Company's facility in East Windsor, New Jersey. $4.75 million of the principal amount of the Convertible Notes are due on December 31, 2011 (the "Due Date") and $1 million of the principal amount of the Convertible Notes were due on December 31, 2008. On October 16, 2008, the Company sold certain building equipment and received proceeds of $60,000 which was used to prepay a portion of the $4.75 million payment due on December 31, 2011. On December 31, 2008, the Company paid the $1 million principal payment due in cash, such that at December 31, 2008 the amount outstanding was $4,690,000.

The Convertible Notes are payable in cash or convertible into shares of Common Stock with the remaining principal amount initially convertible at $2 per share on or before the Due Date at the holders' option. The Convertible Notes have a coupon rate of 7% per annum, which is payable at the Company's option in cash or, if the Company's net cash balance is less than $3 million at the time of payment, in shares of Common Stock. If paid in shares of Common Stock, then the price of the stock issued will be the lesser of $0.08 below or 95% of the five-day weighted average of the market price of the Common Stock prior to the time of payment. Such additional interest consideration is considered contingent and therefore would only be recognized upon occurrence.

2009 transactions with respect to this convertible note are as follows:
As discussed in Note 4, the Company sold $350,000 of manufacturing equipment to Warner. The note holders agreed to release the lien on the equipment in exchange for a $50,000 repayment of principal to be paid in 2009 when the equipment is transferred to Warner. Accordingly, on May 15, 2009, the Company repaid $50,000 to the note holders upon the transfer of the manufacturing equipment to Warner.

On May 27, 2009, the Company agreed to convert $150,000 of the outstanding Convertible Notes to Common Stock at a price of $0.23 per share. As such, the Company issued 659,402 shares of Common Stock to the note holders in repayment of such $150,000 principal amount plus interest.

On June 11, 2009, the Company agreed to convert $150,000 of the outstanding Convertible Notes to Common Stock at a price of $0.31 per share. As such, the Company issued 490,645 shares of Common Stock to the note holders in repayment of such $150,000 principal amount plus interest.

On July 23, 2009, the Company agreed to convert $300,000 of the outstanding Convertible Notes to Common Stock at a price of $0.16 per share. As such, the Company issued 1,883,385 shares of Common Stock to the note holders in repayment of such $300,000 principal amount plus interest.

On July 29, 2009, the Company agreed to convert $100,000 of the outstanding Convertible Notes to Common Stock at a price of $0.15 per share. As such, the Company issued 670,426 shares of Common Stock to the note holders in repayment of such $100,000 principal amount plus interest.

On September 16, 2009, the Company agreed to convert $350,000 of the outstanding Convertible Notes to Common Stock at a price of $0.15 per share. As such, the Company issued 2,368,722 shares of Common Stock to the note holders in repayment of such $350,000 principal amount plus interest.

On October 1, 2009, the Company paid $62,825 in cash for interest on the Note for the period July 1, 2009 through September 30, 2009.

On October 14, 2009, the Company agreed to convert $350,000 of the outstanding Convertible Notes to Common Stock at a price of $0.16 per share. As such, the Company issued 2,193,455 shares of Common Stock to the note holders in repayment of such $350,000 principal amount plus interest.

On October 15, 2009, the Company agreed to convert $250,000 of the outstanding Convertible Notes to Common Stock at a price of $0.15 per share. As such, the Company issued 1,671,528 shares of Common Stock to the note holders in repayment of such $250,000 principal amount plus interest.

On November 10, 2009, the Company issued convertible notes in the aggregate principal amount of $750,000 under the same terms as the original note as described above.

On November 10, 2009, the Company amended the 2008 Notes such that the conversion price of $750,000 in principal amount of the Convertible Notes has been changed from $2.00 to $0.14 per share.

On November 24, December 7 , 9 and 14, 2009, the note holders converted $500,000, $125,000, $35,000 and $90,000, respectively, of the outstanding Convertible Notes pursuant to the November 10, 2009 amendment above. As such, the Company issued 5,419,782 shares of Common Stock to the note holders in repayment of such $750,000 principal amount plus interest.

As a result of these prepayments and conversions, at December 31, 2009, the principal amount outstanding of the Convertible Notes was $2,990,000, of which the conversion price is $2.00 per share for all such principal amount.

The Company recognized a debt inducement charge for the differential between the original conversion rate of $2.00 per share and the agreed prices as listed above. Non-cash interest expense recognized with respect to this note for the year ended December 31, 2009 was 28,352,598.

To the extent that the Company and convertible note holders agree to effect subsequent conversions in the future at conversion rates below the original conversion rate of $2.00, the Company will recognize additional debt inducement charges.

Repaid Notes

During 2006 and 2007, the Company entered into a series of notes payable aggregating $5 million, of which $3 million was paid in 2008 and $2 million was repaid in 2007. In connection with these notes and a line of credit which was cancelled during 2008, the Company issued warrants to purchase 1,200,000 shares of common stock at prices ranging from $.5535 to $1.52. The Company also issued approximately 86,000 shares of common stock in payment of accrued interest. Non-cash interest expense associated with these instruments were $693,316 and $408,538 during the years ended December 31, 2008 and 2007, respectively.

9. Notes Payable

On December 14, 2009, the Company issued $12,129,010 in promissory notes (the "Notes") in connection with the acquisition of Bio-Quant as discussed in Note 3 above. The Notes bear interest at a rate of 10% per annum, with all principal and interest accrued thereunder becoming due and payable one year from the closing date of the Merger, or December 14, 2010. The terms of the Notes provide that the principal amounts and all interest thereunder are payable by the Company in cash or, at the Company's option, in NexMed Shares, which shall be valued at the fixed price of $0.168 per share. The Merger Agreement provides that if the Company repays the Notes in NexMed Shares, the total number of NexMed Shares issuable to Bio-Quant shareholders shall not exceed 19.99% of outstanding NexMed Shares at the Effective Time unless the Company receives stockholder approval to do so. If the Company receives such stockholder approval, the total number of additional NexMed Shares issued to Bio-Quant shareholders in payment of the Notes will be up to approximately 63 million shares. The principal amount of the Notes outstanding at December 31, 2009 was $12,129,010 and is reflected as Notes payable in the current liabilities section of the Consolidated Balance Sheet. The Company has determined that it will recognize a beneficial conversion charge based upon the difference between the quoted market price of the common stock and the fixed conversion price at the time of the conversion.

On January 11, 2010, the Company converted $297,568.72 of outstanding principal of the Notes to Common Stock at $0.168 per share, the fixed conversion price pursuant to the terms of the Notes. As such, the Company issued 2,107,500 shares of Common Stock to the note holders in repayment of such $297,568.72 principal amount plus interest.

On March 17, 2010, the Company converted $1,934,160 of outstanding principal of the Notes to Common Stock at $0.168 per share, the fixed conversion price pursuant to the terms of the Notes. As such, the Company issued 12,940,654 shares of Common Stock to the note holders in repayment of such $1,934,160 principal amount plus interest.

10. Related Party Transactions

In addition to the Bio-Quant notes payable described in Note 9, of which approximately 63% are held by executives of the Company, the Company had the following related party transactions:

- At December 31, 2009 $14,703 is included in due to related parties in the accompanying consolidated balance sheets for amounts owed to the Chief Executive Officer and affiliates for certain consulting and supplies purchased by the Company. There are charges of $2,500 related to such consulting services in the statement of operations for the 2009 period since the Merger.

- Prior to Merger, Bio-Quant had promissory notes receivable of approximately $380,000 from three entities controlled by the former Bio-Quant shareholders. Management of the Company has determined that the fair value of these notes was $204,896, representing the value of Prevonco™ purchased in 2010 by the Company from one of these entities in settlement of a like-amount of the promissory note. Prevonco™ is a marketed anti-ulcer compound, lansoprazole, for the treatment of solid tumors. The remainder of the notes receivable have been assigned no fair value, as there is significant uncertainty as to whether any amounts will be collectible.

- Prior to the Merger, Bio-Quant periodically borrowed and repaid funds from the Company's Chief Executive Officer and his affiliates pursuant to promissory notes bearing interest rate of 10% per annum, The balance owed by the Company at December 31, 2009 and included in due to related parties in the accompanying consolidated balance sheet is $84,979. These amounts have been repaid in full during the first quarter of 2010.

11. Stock Options and Restricted Stock

During December 1996, the Company 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. During June 2006, the Company adopted the NexMed, Inc. 2006 Stock Incentive Plan. A total of 3,000,000 shares were set aside for the plan and an additional 2,000,000 shares were added to the plan in June 2008. Options granted under the Company's plans generally vest over a period of one to five years, with exercise prices of currently outstanding options ranging between $0.55 to $12.00. The maximum term under these plans is 10 years.

The following table summarizes information about options outstanding, all of which are exercisable, at December 31, 2009:

	Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
$ .55 - 1.85	2,491,451	5.72 years	$ 0.82	$ -
2.00 - 3.99	77,350	2.27 years	3.31	-
4.00 - 5.50	371,401	2.75 years	4.65	-
7.00 - 12.00	10,500	0.53 years	9.14	-
	2,950,702	5.24 years	$ 1.40	$ -

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Total Aggregate Intrinsic Value
Outstanding at January1, 2007	3,663,421	$ 1.52		
Granted	202,100	1.41		
Exercised	(78,480)	1.07		
Cancelled	(317,200)	2.82		
Outstanding at December 31, 2007	3,469,841	$ 1.41		
Granted	-			
Exercised	(55,000)	$ 0.73		
Cancelled	(45,850)	3.33		
Outstanding at December 31, 2008	3,368,991	$ 1.40		
Granted	-			
Exercised	-			
Cancelled	(418,289)	$ 1.40		
Outstanding at December 31, 2009	2,950,702		5.24 years	$ 0
Vested or expected to vest at December 31, 2009	2,950,702	$ 1.40	5.24 years	$ 0
Exercisable at December 31, 2009	2,950,702	$ 1.40	5.24 years	$ 0
Exercisable at December 31, 2008	3,177,586	$ 1.40		
Exercisable at December 31, 2007	3,122,740	$ 1.43		
Options available for grant at December 31, 2009	1,323,064			

There were no options granted during 2008 or 2009. The weighted average grant date fair value of options granted during 2007 was $1.41. The intrinsic value of options exercised during the year ended December 31, 2008 was $43,270.

The fair value of each stock option grant is estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions used for the year ended December 31, 2007:

Dividend yield	0.00%
Risk-free yields	1.35% - 5.02%
Expected volatility	54.38% - 103.51%
Expected option life	1 - 6 years
Forfeiture rate	8.22%

Expected Volatility. The Company uses analysis of historical volatility to compute the expected volatility of its stock options.

Expected Term. The expected term is based on several factors including historical observations of employee exercise patterns during the Company's history and expectations of employee exercise behavior in the future giving consideration to the contractual terms of the stock-based awards.

Risk-Free Interest Rate. The interest rate used in valuing awards is based on the yield at the time of grant of a U.S. Treasury security with an equivalent remaining term.

Dividend Yield. The Company has never paid cash dividends, and does not currently intend to pay cash dividends, and thus has assumed a 0% dividend yield.

Pre-Vesting Forfeitures. Estimates of pre-vesting option forfeitures are based on Company experience. The Company will adjust its estimate of forfeitures over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of compensation expense to be recognized in future periods.

As of December 31, 2009, there was not any unrecognized compensation cost related to non-vested stock options.

Compensatory Share Issuances

The value of restricted stock grants is calculated based upon the closing stock price of the Company's Common Stock on the date of the grant. The value of the grant is expensed over the vesting period of the grant in accordance with FASB ASC 718 as discussed in Note 2. As of December 31, 2009 there was $238,169 of total unrecognized compensation cost related to non-vested restricted stock. That cost is expected to be recognized during 2010.

Principal employee based compensation transactions for the year ended December 31, 2009 were as follows:

For the years ended December 31, 2009, 2008 and 2007, the Company issued 253,488, 377,950 and 304,540 shares of common stock, respectively, to Board of Directors members for services rendered, and recorded expenses related to such issuances of $211,428, $480,829 and $288,998, respectively.

On September 12, 2008, the Board of Directors approved new stock grants ("New Stock Grants") for Hemanshu Pandya, the Company's then Chief Operating Officer and Mark Westgate, the Company's Chief Financial Officer, with each grant comprised of 500,000 restricted shares of Common Stock. The two New Stock Grants will vest in two equal installments on June 30, 2009 and June 30, 2010, respectively, provided that Mr. Pandya and Mr. Westgate remain in continuous and uninterrupted service with the Company. For the years ended December 31, 2009 and 2008, the Company recorded expenses of approximately $70,000 and $35,000, respectively, for such grant.

The following table indicates where the total stock-based compensation expense resulting from stock options and awards appears in the Statements of Operations:

	Year Ended		
	December 31, 2009	December 31, 2008	December 31, 2007
Research and development	$ 86,210	$ 71,833	$ 111,108
General and administrative	816,461	1,252,239	1,044,724
Total stock-based compensation expense	$ 902,671	$ 1,324,072	$ 1,155,832

The stock-based compensation expense has not been tax-effected due to the recording of a full valuation allowance against U.S. net deferred tax assets.

12. Capital Leases

The Company has entered into various capital leases for certain equipment used in its laboratory and cell processing facility as of December 31, 2009. The lease obligations are payable as follows:

	Monthly payment	Interest rate	Number of payments per lease	Maturity date	Aggregate remaining principal outstanding at December 31, 2009
Lease 1	$ 384	10%	60	12/1/2013	$ 14,901
Lease 2	136	19.2%	36	12/31/2011	2,685
Lease 3	441	13.7%	60	2/1/2013	16,717
Lease 4	897	10%	60	9/1/2013	41,155
Lease 5	1,483	13.8%	60	12/1/2014	64,037
					$ 139,495

The leases are secured by a first lien on the underlying equipment. At December 31, 2009, the assets held subject to capital leases totaled $147,138 and the related accumulated depreciation was $6,149.

Future maturities of capital lease obligations at December 31, 2009 are:

Years Ended December 31,	Amount
2010	$ 40,101
2011	40,101
2012	38,473
2013	31,374
2014	17,800
Total	167,849
Less portion representing interest	28,354
Total principal due at December 31, 2009	139,495
Less: current maturities	24,530
Long-term portion	$ 114,965

13. Stockholder Rights Plan

On April 3, 2000, the Company declared a dividend distribution of one preferred share purchase 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, at a Purchase Price of $100.00 per Unit, subject to adjustment. Under the Rights Plan, 1,000,000 shares of the Company’s preferred stock have been set aside.

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 , 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, the Company's former CEO, will be permitted to increase his ownership to up to 25% of the outstanding shares of Common Stock, without becoming an Acquiring Person and triggering a Distribution Date.

On January 16, 2007 the Rights Agreement was amended to exempt Southpoint Master Fund, LP and its affiliates from becoming an Acquiring Person within the meaning of the Rights Agreement, provided that Southpoint's aggregate beneficial ownership of the Company's Common Stock is less than 20% of the shares of Common Stock then outstanding.

On December 8, 2009 the Rights Agreement was amended to exempt any person who receives the Company's Common Stock in satisfaction of the Notes issued pursuant to the Bio-Quant Merger Agreement as discussed in Notes 3 and 9 above.

14. Warrants

A summary of warrant activity is as follows:

	Common Shares Issuable upon Exercise	Weighted Average Exercise Price	Weighted Average Contractual Life
Outstanding at January 1, 2007	20,125,027	$ 1.33	
Issued (Note 8)	450,000	$ 1.52	
Exercised	(2,790,495)	$ 1.83	
Cancelled	(5,344,578)	$ 1.40	
Outstanding at December 31, 2007	12,439,954	$ 1.23	
Issued (Note 8)	250,000	$ 1.15	
Exercised	(471,910)	$ 0.89	
Cancelled	(100,000)	$ 1.52	
Outstanding at December 31, 2008	12,118,044	$ 1.23	
Issued			
Exercised			
Cancelled	(5,138,914)	$ 1.58	
Outstanding at December 31, 2009	6,979,130	$ 1.03	1.03 years
Exercisable at December 31, 2009	6,979,130	$ 1.23	1.22 years

15. Income Taxes

The Company has incurred losses since inception, which have generated net operating loss carryforwards of approximately $107 million for federal income tax purposes. These carryforwards are available to offset future taxable income and expire beginning in 2014 through 2028 for federal income tax purposes. In addition, the Company has general business and research and development tax credit carryforwards of approximately $2.4 million. 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. It is likely that such a limitation will occur if most of the Bio-Quant notes are converted to common stock. 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 equity financing obtained by the Company since its formation.

In 2007, 2008 and 2009,the Company was approved by the State of New Jersey to sell a portion of its state tax credits pursuant to the Technology Tax Certificate Transfer Program. The Company no longer has any significant NJ tax credit benefits left available to sell at December 31, 2009, and was approved to sell net operating loss tax benefits of $491,903 in 2009, $1,053,547 in 2008, and $905,515 in 2007. The Company generated net revenues of $437,794, $937,657, and $805,909 in 2009, 2008, and 2007, respectively, as a result of the sale of the tax credits, which has been recognized as received as an income tax benefit in the Consolidated Statements of Operations. There can be no assurance that this program will continue in future years.

Deferred tax assets consist of the following:

	December 31,	
	2009	**2008**
Deferred tax assets:		
Net operating tax loss carryforwards	$ 44,000,000	$ 40,500,000
Research and development tax credits	2,400,000	2,200,000
Deferred compensation	300,000	300,000
Bases of intangible assets	(1,660,000)	-
Total deferred tax asset	45,040,000	43,000,000
Less valuation allowance	(45,040,000)	(43,000,000)
Net deferred tax asset	$ —	$ —

The net operating loss carryforwards and tax credit carryforwards resulted in a noncurrent deferred tax benefit at December 31, 2009, 2008 and 2007 of approximately $45, $43 million, and $39 million, 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.

The acquisition of Bio-Quant was the acquisition of the stock of Bio-Quant. Therefore, the Company does not have the amortizable tax bases in the intangible assets, including goodwill.

On January 1, 2007, we adopted the provisions of ASC 740-10-25. ASC 740-10-25 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10-25 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax positions that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company's Federal income tax returns for 2001 to 2008 are still open and subject to audit. The Company had no tax positions relating to open income tax returns that were considered to be uncertain. Accordingly, we have not recorded a liability for unrecognized tax benefits upon adoption of ASC 740-10-25. There continues to be no liability related to unrecognized tax benefits at December 31, 2009.

The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision (benefit) for income taxes for the years ended December 31, 2009, 2008 and 2007 are as follows:

	For the years ended December 31,		
	2009	**2008**	**2007**
Federal statutory tax rate	(35)%	(35)%	(35)%
State taxes, net of federal benefit	(6)%	(6)%	(6)%
Valuation allowance	41%	41%	41%
Sale of state net operating losses	(8.35)%	(15.35)%	(8.40)%
Provision (benefit) for income taxes	(8.35)%	(15.35)%	(8.40)%

For the years ended December 31, 2009, 2008 and 2007, 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 offset by the state tax benefit from the sale of the net operating losses in New Jersey and other permanent differences.

16. Commitments and Contingencies

Equity Compensation

The Company has made commitments to issue equity awards to certain Officers of the Company and employees of Bio-Quant. Such commitments will be satisfied only upon approval by the shareholders of the Company to increase the number of authorized shares in the NexMed, Inc. 2006 Stock Incentive Plan (the "Plan"). Upon approval of the Plan, the Company will issue approximately 2,371,000 restricted shares to certain Bio-Quant employees pursuant to the provisions of the Plan. Additionally, the Company will issue 3,750,000 shares to certain of its Officers pursuant to the provisions of the Plan.

Operating Leases

In January 2007, Bio-Quant entered into a lease agreement for its headquarters location in San Diego California expiring December 31, 2011. The headquarters lease term contains a base rent of $18,400 per month with 4% annual escalations, plus a real estate tax and operating expense charge to be determined annually.

In February 2008, Bio-Quant entered into a four year lease agreement for its second location in San Diego California expiring December 31, 2015 as amended in February 2010. The Lease term has a base rent of $13,065 per month, plus a real estate tax and operating expense charge to be determined annually.

For the period from Merger to December 31, 2009, rent expense under all operating leases was approximately $18,000.

Future minimum rental payments under the operating leases noted above are approximately:

Years Ended December 31,	Amount
2010	405,144
2011	420,167
2012	172,236
2013	177,396
2014	182,724
Thereafter	188,208
	$ 1,545,875

Employment Agreements

We have an employment agreement with Mr. Damaj, our President and Chief Executive Officer. Pursuant to that agreement, we may terminate Mr. Damaj's employment without cause on ten days notice, in which event severance pay equal to twelve months' base salary. Under the employment agreement, if we had terminated Mr. Damaj effective December 31, 2009, based on his 2009 compensation, he would have been paid an aggregate of $300,000, his 2009 base salary and $100,000 of which represents twice his accrued 2009 bonus. The employment agreement further provides that in the event that within one year after a "Change of Control" (as defined therein) of the Company occurs, and the President and Chief Executive Officer's employment is terminated or resigns for cause, the President and Chief Executive Officer will be paid a lump sum amount equal to their base salary for a 12-month period following termination or resignation. Based on this change of control provision, if there had been a change of control of the Company in 2009 and the President and Chief Executive Officer's employment had terminated effective December 31, 2009, either for "Good Reason" or without cause, then the President and Chief Executive Officer would be entitled to termination pay equal to $300,000.

Other

The Company was a party to clinical research agreements with a clinical research organization ("CRO") in connection with a one-year open-label study for Vitaros® with commitments by the Company that initially totaled approximately $12.8 million. These agreements were amended in October 2005 such that the total commitment was reduced to approximately $4.2 million. These agreements provided that if the Company canceled them prior to 50% completion, the Company will owe the higher of 10% of the outstanding contract amount prior to the amendment or 10% of the outstanding amount of the amended contract at the time of cancellation. On September 30, 2008, the clinical research agreements were cancelled as it was determined that the one-year open-label study would no longer be required by the FDA for regulatory approval of Vitaros®. As such, a cancellation fee of approximately $892,000 was accrued at September 30, 2008. Pursuant to the terms of the clinical research agreement, the cancellation fee was not payable until December 15, 2008. On each of December 31, 2008 and March 31, 2009, the Company paid $300,000 toward the total cancellation fee. The balance of approximately $292,000 was paid on July 7, 2009.

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

We are subject to certain legal proceedings in the ordinary course of business. We do not expect any such items to have a significant impact on our financial position.

17. Segment and Geographic Information

The Company has two active business segments: designing and developing pharmaceutical products and providing pre-clinical CRO services through its subsidiary, Bio-Quant.

The acquisition of Bio-Quant occurred on December 14, 2009 as discussed in Note 3 above. The revenue and expenses of Bio-Quant for the16 day period ended December 31, 2009 are not material to present as a separate segment in 2009. Total assets of the CRO segment at December 31, 2009 are approximately $15 million. Pro-forma information for NexMed and Bio-Quant for the years ended December 31, 2009 and 2008 is shown in Note 3 above.

18. Subsequent Events

In January 2010, the Company raised gross proceeds of $2.3 million in an offering of unsecured promissory notes (the "2010 Notes"). The Notes accrue interest at a rate of 10% per annum and are due and payable in full six months from the date of issuance. The principal and accrued interest due under the Notes is payable, at our election of the Company, in either cash or shares of Common Stock, par value $0.001 per share (the "Shares"). The weighted average conversion price of the Shares potentially issuable under the Notes is $0.37 per Share, with the conversion prices ranging from $0.36 to $0.40 per Share. Upon the maturity of the Notes, up to 6,243,243 Shares could potentially be issued in satisfaction of the then outstanding principal and accrued interest. The Notes may be prepaid at any time without penalty.

On January 26, 2010, the Company agreed to convert $397,988 of the outstanding Convertible Notes (see Note 8) to Common Stock at a price of $0.50 per share. As such, the Company issued 800,000 shares of Common Stock to the note holders in repayment of such $397,988 principal amount plus interest.

On March 17, 2010, the 2010 Notes were repaid in full with the issuance of 6,232,556 shares of common stock to repay such $2.3 million principal amount and interest.

On March 2, 2010, the Company held a special meeting of stockholders to approve an amendment to the Company's Amended and Restated Articles of Incorporation to increase the number of shares of Common Stock authorized for issuance by the Company from 120,000,000 shares to 270,000,000 shares. The proposal was approved at the special meeting and the amendment was filed with the Nevada Secretary of State concurrently with the approval.

On January 11, 2010, the Company converted $297,568.72 of outstanding principal of the Notes issued in connection with the Bio-Quant acquisition (see Note 9) to Common Stock at $0.168 per share, the fixed conversion price pursuant to the terms of the Notes. As such, the Company issued 2,107,500 shares of Common Stock to the note holders in repayment of such $297,568.72 principal amount plus interest.

On March 17, 2010, the Company converted $1,934,160 of outstanding principal of the Notes issued in connection with the Bio-Quant acquisition (see Note 9) to Common Stock at $0.168 per share, the fixed conversion price pursuant to the terms of the Notes. As such, the Company issued 12,940,654 shares of Common Stock to the note holders in repayment of such $1,934,160 principal amount plus interest.

On March 15, 2010, the Company issued convertible notes (the "2010 Convertible Notes") in an aggregate principal amount of $4 million to the holders of the Convertible Notes discussed in Note 8 above. The 2010 Convertible Notes are collateralized by the Company's facility in East Windsor, New Jersey and are due on December 31, 2012. The proceeds were used to repay the Convertible Notes then outstanding as discussed in Note 8 above. As such, the Company received approximately $1.4 million in net proceeds.

The Convertible Notes are payable in cash or convertible into shares of Common Stock at $0.58 per share on or before the Due Date at the holders' option. The Convertible Notes have a coupon rate of 7% per annum, which is payable at the Company's option in cash or, if the Company's net cash balance is less than $3 million at the time of payment, in shares of Common Stock. If paid in shares of Common Stock, then the price of the stock issued will be the lesser of $0.08 below or 95% of the five-day weighted average of the market price of the Common Stock prior to the time of payment. Such additional interest consideration is considered contingent and therefore would only be recognized upon occurrence.

The Company has 126,902,281 shares of Common Stock issued and outstanding as of the date of this report as a result of the repayment of the promissory notes in 2010 as discussed above.

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

None.

ITEM 9A(T). CONTROLS AND PROCEDURES.

In accordance with Exchange Act Rules 13a-15(e) and 15d-15(e), the Company's management carried out an evaluation with participation of the Company's Chief Executive Officer and Chief Financial Officer, its principal executive officer and principal financial officer, respectively, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of the end of the period covered by this report that the Company's disclosure control and procedures are effective. There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation by the Chief Executive Officer and Chief Financial Officer that occurred during the Company's fourth quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under such framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2009.

As permitted by the Exchange Act Rules, we did not conduct an evaluation of the effectiveness of internal controls of our CRO services division as that division came into existence with the acquisition of Bio-Quant on December 14, 2009. The effectiveness of internal controls of the CRO services division will be evaluated as of December 31, 2010.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION.

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information called for by Item 10 is set forth under the heading "Election of Directors" and "Committees of the Board" in our Proxy Statement for the 2010 Annual Meeting, which is incorporated herein by reference, and "Executive Officers of the Registrant" of Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION.

Information called for by Item 11 is set forth under the headings "Executive Compensation" and "Directors Compensation" in our Proxy Statement for the 2010 Annual Meeting, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Other than as set forth below, information called for by Item 12 is set forth under the heading "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement for the 2010 Annual Meeting, which is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information as of December 31, 2009, about shares of our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans (together, the "Equity Plans"):

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,950,702(1)	$ 1.40	1,323,064(2)
Equity compensation plans not approved by security holders	-	-	-
Total	2,950,702	$ 1.40	1,323,064

(1) Consists of options outstanding at December 31, 2009 under The NexMed Inc. Stock Option and Long Term Incentive Plan (the "Incentive Plan") and The NexMed, Inc. 2006 Stock Incentive Plan (the "2006 Plan").

(2) Consists of zero and 1,323,0643 shares of Common Stock that remain available for future issuance, at December 31, 2009, under the Incentive Plan and 2006 Plan, respectively.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information called for by Item 13 is set forth under the headings "Transactions with Related Persons, Promoters and Certain Control Persons" and "Corporate Governance" in our Proxy Statement for the 2010 Annual Meeting, which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information called for by item 14 is set forth under the heading "Principal Accountant Fees and Services" in our Proxy Statement for the 2010 Annual Meeting, which is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(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

3. Exhibits

EXHIBITS NO.	DESCRIPTION
2.1	Agreement and Plan of Merger by and among the Company, BQ Acquisition Corp., Bio-Quant, Inc., and certain other parties listed therein, dated as of November 20, 2009 (incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on November 23, 2009).
3.1	Amended and Restated Articles of Incorporation of the Company.
3.2	Amended and Restated By-laws of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 14, 2003).
3.3	Certificate of Amendment to Articles of Incorporation of the Company, dated June 22, 2000 (incorporated herein by reference to Exhibit 3.2 to the Company's Form 10-K filed with the Securities and Exchange Commission on March 31, 2003).
3.4	Certificate of Amendment to the Company's Articles of Incorporation, dated June 14, 2005. (incorporated herein by reference to Exhibit 3.4 to the Company's Form 10-K filed with the Securities and Exchange Commission on March 16, 2006).
3.5	Second Amended and Restated By-Laws of the Company, effective as of April 18, 2008 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2008).

3.6	Certificate of Amendment to Amended and Restated Articles of Incorporation of the Company, dated March 3, 2010.
3.7	Certificate of Correction to Certificate of Amendment to Amended and Restated Articles of Incorporation of the Company, dated March 3, 2010.
4.1	Form of Common Stock Certificate (incorporated herein 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 the Company's 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 the Company's Current Report on Form 8-K filed with the Commission on April 10, 2000).
4.4	Form of Warrant dated April 21, 2003 (incorporated herein by reference to Exhibit 4.2 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 14, 2003).
4.5	Form of Common Stock Purchase Warrant dated July 2, 2003 (incorporated herein by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on July 17, 2003).
4.6	Form of Warrant dated June 18, 2004 (incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on June 25, 2004).
4.7	Form of Common Stock Purchase Warrant A, dated December 17, 2004 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2004).
4.8	Form of Warrant, dated May 17, 2005 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 19, 2005).
4.9	Form of Warrant, dated January 23, 2006 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2006).
4.10	Form of Warrant, dated November 30, 2006 (incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 4, 2006).
4.11	Form of Warrant, dated December 20, 2006 (incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 21, 2006).
4.12	Amendment No. 1 to Rights Agreement, dated as of January 16, 2007 (incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on January 22, 2007).
4.13	Form of Warrant, dated October 26, 2007 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2007).
4.14	Form of Warrant (incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 29, 2008).

4.15	Amendment No. 2 to Rights Agreement dated as of December 8, 2009 (incorporated herein by reference to Exhibit 4.1 filed with the Company's Form 8-K filed on December 10, 2009).
10.1*	Amended and Restated NexMed, Inc. Stock Option and Long-Term Incentive Compensation Plan (incorporated herein 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 herein by reference to Exhibit 99.1 filed with the Company's Form 8-K filed with the Securities and Exchange Commission on May 28, 2004).
10.3	License Agreement dated March 22, 1999 between NexMed International Limited and Vergemont International Limited (incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-KSB filed with the Securities and Exchange Commission on March 16, 2000).
10.4*	The NexMed, Inc. Non-Qualified Stock Option Plan (incorporated herein 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).
10.5*	Employment Agreement dated February 26, 2002 by and between NexMed, Inc. and Dr. Y. Joseph Mo (incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-K filed with the Securities and Exchange Commission on March 29, 2002).
10.6	Registration Rights Agreement between the Company and The Tailwind Fund Ltd. and Solomon Strategic Holdings, Inc. dated June 11, 2002 (incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the Securities and Exchange Commission on August 14, 2002).
10.7	Investor Rights Agreement, dated as of April 21, 2003, between the Company and the Purchasers identified on Schedule 1 to the Investor Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 14, 2003).
10.8	Investor Rights Agreement, dated as of July 2, 2003, between the Company and the Purchasers identified on Schedule 1 to the Investor Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on July 17, 2003).
10.9*	Amendment dated September 26, 2003 to Employment Agreement by and between Dr. Y. Joseph Mo and NexMed, Inc. dated February 26, 2002 (incorporated herein by reference to Exhibit 10.4 to the Company's Form 10-Q filed with the Securities and Exchange Commission on November 12, 2003).
10.10	Registration Rights Agreement, dated as of December 12, 2003, between the Company and the Purchasers named therein (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on January 13, 2004).
10.11	Form of 5% Convertible Note due May 31, 2007 (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on January 13, 2004).
10.12	Investor Rights Agreement, dated as of June 18, 2004, between the Company and the Purchasers identified on Schedule 1 thereto (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on June 25, 2004).
10.13*	Stock Option Grant Agreement between the Company and Leonard A. Oppenheim dated November 1, 2004 (incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the Securities and Exchange Commission on November 9, 2004).

10.14*	Form of Stock Option Grant Agreement between the Company and its Directors (incorporated herein by reference to Exhibit 10.29 to the Company's Form 10-K filed with the Securities and Exchange Commission on March 16, 2006).
10.15	Investor Rights Agreement, dated as of December 17, 2004, between the Company and the Purchasers named therein (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2004).
10.16	Preferred Stock and Warrant Purchase Agreement, dated as of May 16, 2005, between the Company and the Purchasers named therein (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 19, 2005).
10.17	Investor Rights Agreement, dated as of May 16, 2005, between the Company and the Purchasers named therein (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2004).
10.18+	License Agreement, dated September 13, 2005, between NexMed, Inc., NexMed International Limited and Novartis International Pharmaceutical Ltd. (incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 15, 2005).
10.19	Common Stock and Warrant Purchase Agreement, dated as of January 23, 2006, between the Company and the Purchasers named therein (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2006).
10.20	Investor Rights Agreement, dated as of January 23, 2006, between the Company and the Purchasers named therein (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 2006).
10.21*	Employment Agreement dated December 21, 2005 by and between NexMed, Inc. and Mark Westgate (incorporated herein by reference to Exhibit 10.31 to the Company's Form 10-K filed with the Securities and Exchange Commission on March 16, 2006).
10.22	Common Stock and Warrant Purchase Agreement, dated January 23, 2006 (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on January 27, 2006).
10.23*	NexMed, Inc. 2006 Stock Incentive Plan (incorporated herein by reference to Annex A of the Company's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 6, 2006).
10.24	Securities Purchase Agreement, dated November 30, 2006, between NexMed, Inc., NexMed (U.S.A.), Inc. and Metronome LPC 1, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 4, 2006).
10.25	Senior Secured Note, dated November 30, 2006, in favor of Metronome LPC 1, Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 4, 2006).

10.26	Common Stock and Warrant Purchase Agreement, dated December 20, 2006 (incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 21, 2006).
10.27	Registration Rights Agreement, dated December 20, 2006 (incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on December 21, 2006).
10.28	Amendment, effective as of February 13, 2007, to License Agreement between Novartis International Pharmaceutical Ltd., NexMed, Inc. and NexMed International Limited, dated September 13, 2005 (incorporated herein by reference to Exhibit 99.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on February 23, 2007).
10.29 +	License Agreement dated November 1, 2007 between NexMed, Inc. and Warner Chilcott Company, Inc (incorporated herein by reference to Exhibit 10.31 to the Company's Form 10-K filed with the Securities and Exchange Commission on March 12, 2008).
10.30	Securities Purchase Agreement, dated October 26, 2007, between NexMed, Inc. and Twin Rivers Associates, LLC. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report 8-K filed with the Securities and Exchange Commission on October 31, 2007).
10.31	Senior Secured Note dated October 26, 2007, between NexMed, Inc. and Twin Rivers Associates, LLC. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report 8-K filed with the Securities and Exchange Commission on October 31, 2007).
10.32	Form of Binding Commitment for Credit Line, dated May 12, 2008 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 14, 2008).
10.33	Side Letter, effective June 27, 2008, to License Agreement between Novartis International Pharmaceutical Ltd., NexMed, Inc. and NexMed International Limited, dated September 13, 2005 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 1, 2008).
10.34	Form of Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2008).
10.35	Form of Note (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2008).
10.36	Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2008).
10.37	Form of Mortgage, Security Agreement and Assignment of Leases and Rents (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2008).
10.38	Form of Subsidiary Guaranty (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2008).
10.39 *	NexMed, Inc. Amendment to 2006 Stock Incentive Plan (incorporated by reference to Appendix A of the Company's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 18, 2008).

10.40	Asset Purchase Agreement, dated February 3, 2009, between Warner Chilcott Company, Inc. and NexMed, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2009).
10.41	License Agreement, dated February 3, 2009, between Warner Chilcott Company, Inc. and NexMed, Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2009).
10.42*	Amended and Restated Employment Agreement, dated December 14, 2009, by and between NexMed, Inc. and Vivian H. Liu.
10.43*	Employment Agreement, dated December 14, 2009, by and between NexMed, Inc. and Bassam Damaj, Ph.D.
10.44	Purchase Agreement, dated March 15, 2010, by and between NexMed, Inc. and the Purchasers named therein.
10.45	Registration Rights Agreement, dated March 15, 2010.
10.46	Form of 7% Convertible Note Due December 31, 2012.
10.47	NexMed, Inc. Subscription Agreement and Instructions.
10.48	Form of Unsecured Promissory Note.
21	Subsidiaries.
23.1	Consent of Amper, Politziner & Mattia, LLP, independent registered public accounting firm.
31.1	Chief Executive Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer's Certificate, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer's Certificate, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer's Certificate, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Management compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(c) of Form 10-K.
+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment with the Securities and Exchange Commission. Such portions have been filed separately with the Securities and Exchange Commission.

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 31, 2010

By: /s/ Bassam Damaj
Bassam Damaj
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/ Bassam Damaj BASSAM DAMAJ	Director, President and Chief Executive Officer (principal executive officer)	March 31, 2010
/s/ Mark Westgate MARK WESTGATE	Vice President, Chief Financial Officer (principal financial officer and principal accounting officer)	March 31, 2010
/s/ Vivian H. Liu VIVIAN H. LIU	Chairman of the Board of Directors	March 31, 2010
/s/ Henry Esber HENRY ESBER	Director	March 31, 2010
/s/ Leonard A. Oppenheim LEONARD A. OPPENHEIM	Director	March 31, 2010
/s/ Roberto Crea ROBERTO CREA	Director	March 31, 2010
/s/ Russell Ray RUSSELL RAY	Director	March 31, 2010
/s/ Richard J. Berman RICHARD J. BERMAN	Director	March 31, 2010

STATE OF NEVADA

ROSS MILLER
Secretary of State

SCOTT W. ANDERSON
Deputy Secretary
for Commercial Recordings

OFFICE OF THE
SECRETARY OF STATE

Certified Copy

March 3, 2010

Job Number: C20100303-2443
Reference Number:
Expedite:
Through Date:

The undersigned filing officer hereby certifies that the attached copies are true and exact copies of all requested statements and related subsequent documentation filed with the Secretary of State's Office, Commercial Recordings Division listed on the attached report.

Document Number(s)	Description	Number of Pages
20100136299-93	Amendment	1 Pages/1 Copies

Respectfully,

ROSS MILLER
Secretary of State

Certified By: Kamlesh Bhardwaj
Certificate Number: C20100303-2443
You may verify this certificate
online at **http://www.nvsos.gov/**

Commercial Recording Division
202 N. Carson Street
Carson City, Nevada 89701-4069
Telephone (775) 684-5708
Fax (775) 684-7138

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684 5708
Website: www.nvsos.gov

090201

Filed in the office of	Document Number
Ross Miller Secretary of State State of Nevada	20100136299-93
	Filing Date and Time 03/03/2010 9:39 AM
	Entity Number C8119-1987

Certificate of Amendment
(PURSUANT TO NRS 78.385 AND 78.390)

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Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)

1. Name of corporation:

NexMed, Inc. (C8119-1987)

2. The articles have been amended as follows: (provide article numbers, if available)

Paragraph A of Article FIFTH of the Amended and Restated Articles of Incorporation of NexMed, Inc. (the "Corporation") is hereby amended to read in its entirety as follows:

"FIFTH: A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is two hundred eighty million (280,000,000), consisting of two hundred seventy million (270,000,000) shares of common stock, par value one-tenth of one cent ($0.001) per share (the "Common Stock") and ten million (10,000,000) shares of preferred stock, par value one-tenth of one cent ($0.001) per share (the "Preferred Stock")."

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise a least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is: Greater than 52%

4. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

5. Signature: (required)

X

Signature of Officer

*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Amend Profit-After
Revised: 3-6-09

STATE OF NEVADA

ROSS MILLER
Secretary of State

SCOTT W. ANDERSON
Deputy Secretary
for Commercial Recordings

OFFICE OF THE
SECRETARY OF STATE

Certified Copy

March 3, 2010

Job Number: C20100303-2195
Reference Number:
Expedite:
Through Date:

The undersigned filing officer hereby certifies that the attached copies are true and exact copies of all requested statements and related subsequent documentation filed with the Secretary of State's Office, Commercial Recordings Division listed on the attached report.

Document Number(s)	Description	Number of Pages
20100136039-55	Certificate of Correction	1 Pages/1 Copies

Respectfully,

ROSS MILLER
Secretary of State

Certified By: Kamlesh Bhardwaj
Certificate Number: C20100303-2195
You may verify this certificate
online at **http://www.nvsos.gov/**

Commercial Recording Division
202 N. Carson Street
Carson City, Nevada 89701-4069
Telephone (775) 684-5708
Fax (775) 684-7138

ROSS MILLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4520
(775) 684 5708
Website: www.nvsos.gov

090401

Filed in the office of	Document Number
Ross Miller Secretary of State State of Nevada	20100136039-55
	Filing Date and Time 03/03/2010 7:50 AM
	Entity Number C8119-1987

Certificate of Correction
(PURSUANT TO NRS CHAPTERS 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 AND 92A)

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Certificate of Correction

(Pursuant to NRS Chapters 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A)

1. The name of the **entity** for which correction is being made:

NexMed, Inc. (C8119-1987)

2. Description of the original document for which correction is being made:

Certificate of Amendment to Amended and Restated Articles of Incorporation [Document Number 20050232009-23]

3. Filing date of the original document for which correction is being made: June 14, 2005

4. Description of the inaccuracy or defect.

Certain text was inadvertently omitted from the Attachment to Certificate of Amendment to Amended and Restated Articles of Incorporation of NexMed, Inc.

5. Correction of the inaccuracy or defect.

The words "Paragraph A of" should be inserted at the beginning of the introductory sentence "Article FIFTH of the Amended and Restated Articles of Incorporation of NexMed, Inc. (the "Corporation") is hereby amended to read in its entirety as follows:" in the Attachment to Certificate of Amendment to Amended and Restated Articles of Incorporation of NexMed, Inc.

6. Signature:

X _____

Authorized Signature | CEO **Title** * | **Date**

* If entity is a corporation, it must be signed by an officer if stock has been issued, OR an incorporator or director if stock has not been issued; a limited-liability company, by a manager or managing members; a limited partnership or limited-liability limited partnership, by a general partner; a limited-liability partnership, by a managing partner; a business trust, by a trustee.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Correction
Revised: 3-25-09

EXHIBIT 10.42

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement"), dated December 14, 2009 (the "Effective Date"), is made and entered into by and between NexMed, Inc., a Nevada corporation (the "Company") and Vivian H. Liu (the "Executive"), and amends and restates that certain Employment Agreement between the parties, dated October 3, 2007 (the "Prior Agreement").

WHEREAS, the Company desires to continue to employ Executive and to enter into this Agreement in connection with the Company's acquisition of Bio-Quant, Inc. pursuant to that certain Agreement and Plan of Merger by and among the Company, BQ Acquisition Corp., Bio-Quant, Inc. and certain other parties thereto (the "Merger Agreement");

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 her employment on the terms hereinafter set forth in this Agreement and to forego any severance payments to which she may otherwise be entitled under the Prior 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 the terms and conditions set forth in Section 6 of this Agreement, Executive's employment with the Company shall be "at will," and the Company and Executive shall each have the right to terminate Executive's employment hereunder. The term of Executive's employment hereunder is referred to herein as the "Employment Term.".

2. Position.

   (a) During the Employment Term, Executive shall be employed by the Company as Executive Vice President, and shall have such duties, authority, and responsibility as are commensurate with her position, subject to the direction of the Company's Board of Directors (the "Board").

   (b) During the Employment Term, Executive shall devote all of her business time and attention to the performance of her duties hereunder faithfully and to the best of her 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 approval of the Board, serving as a director, trustee or member of another business organization or (ii) participating in the affairs of any recognized charitable organizations, or in any community affairs, of Executive's choice.

(c) Executive's duties hereunder shall be performed for the Company worldwide, with principal business activities expected to be at the Company's offices in East Windsor, New Jersey and/or San Diego, California.

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 $280,000 (the "Base Salary"), payable in regular installments in accordance with the Company's usual payroll practices.

(b) Bonuses.

(i) Annual Bonus. With respect to each calendar year during the Employment Term, Executive shall be eligible to earn an annual bonus award (the "Bonus") in an amount not to exceed 50% of Executive's annual Base Salary. 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 performance measures 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, if any, with respect to each calendar year in the Employment Term shall be paid as promptly as practicable following the delivery of the Company's audited financial statements for such year, but not later than March 15 of the calendar year following the calendar year for which the Bonus is payable. Unless otherwise stated herein, the Bonus shall not accrue until the date on which it is paid, and Executive must be employed on the date the Bonus is paid in order to receive the Bonus.

(ii) Signing Bonus. In addition to the Bonus, Executive will receive a one-time signing bonus of $50,000, payable in two installments of $25,000 each due 60 and 90 days from the Effective Date (the "Signing Bonus").

(iii) Incentive Bonus. In addition to the Bonus and the Signing Bonus, Executive shall be entitled to receive a one-time bonus with a value of $100,000, payable one-half in cash and one-half in Company common stock (valued at the fair market value of the stock one day prior to the date of payment) (the "Incentive Bonus"). The Incentive Bonus shall be earned, if at all, within a one-year period from the Effective Date upon the achievement of certain performance and integration goals to be established by the Company's Compensation Committee. Upon the achievement of such goals, Executive's right to receive the Incentive Bonus shall be fully vested and not subject to any further performance or service requirements. The Incentive Bonus, to the extent earned, shall be paid only upon the Executive's termination of service with the Company.

(c) Stock Option Grants. The Compensation Committee shall consider annually whether to grant any equity-based compensation awards to the Executive in accordance with the terms and subject to the conditions of the Company's equity compensation plans.

(d) Other Equity Awards.

(i) Commencing with the execution of this Agreement and each anniversary thereafter during the Employment Term, the Executive shall receive an annual grant of restricted common stock from the Company's equity compensation plans with a grant-date fair value of $20,000 (measured with reference to the Company's closing stock price on the NASDAQ stock market on the date of grant) and that vests over a one-year period from the date of grant. The unvested shares shall be subject to a right of reacquisition by the Company to the extent that the Executive does not remain in the continuous service of the Company during the vesting period. This grant is subject to the Company's stockholders approving an increase in the number of shares available under the Company's equity compensation plans.

(ii) Commencing with the execution of this Agreement and each anniversary thereafter during the Employment Term, the Executive shall receive an annual grant of 250,000 shares of restricted common stock from the Company's equity compensation plans that vests over a one-year period from the date of grant. This grant is subject to the Company's stockholders approving an increase in the number of shares available under the Company's equity compensation plans.

(iii) As promptly as practicable after the execution of this Agreement, Executive shall be awarded one-time stock grant consisting of 1,000,000 shares of the Company's common stock. The shares shall be fully vested on the date of grant.

(e) Relocation Expenses. In connection with Executive's planned move to San Diego, California, which is expected to be completed within six months following the consummation of this Agreement, the Company will pay $25,000 to Executive for such relocation, payable in a lump sum on the Effective Date.

4. 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 (Executive shall have six weeks of paid vacation per calendar year), 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. Nothing in this Agreement shall preclude the Company or any of its subsidiaries or affiliates from terminating or amending any employee benefit plan or program from time to time after the date of this Agreement.

5. Business Expenses and Perquisites. 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.

6. Termination. Subject to this Section 6, either party may terminate this Agreement at any time and from time to time. In the event of the termination of Executive's employment, the Employment Term shall end on the day of such 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 failure to follow specific and reasonable directives of the Board, (iii) willful failure to perform her duties as Executive Vice President of the Company, (iv) willful misconduct resulting in material injury to the Company, (v) violation of the terms of the Intellectual Property Agreement referred to in Section 11 below, (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 this paragraph) 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 her 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 6(a) for Cause, the Employment Term shall end on the day of such termination and the Company shall pay to Executive, no later than the payroll cycle following Executive's termination, in one lump sum: (i) any accrued but unpaid Base Salary, less applicable deductions, including salary in respect of any accrued and accumulated vacation due to Executive at the date of such termination; and (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof.

Except as specifically set forth in Section 9 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. If Executive should pass away during the term of this Agreement, Executive's employment shall be deemed terminated on his date of death. 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. 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, no later than the payroll cycle following Executive's termination, 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: (i) any accrued but unpaid Base Salary, less applicable deductions, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination; (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof.

In addition, upon a termination under this Section 6(b), and upon the satisfaction of the conditions set forth herein: (1) Executive shall receive a pro rata Bonus for the calendar year in which such termination occurs, equal to the Bonus she would have received, to the extent all criteria for such a Bonus have been met (with the exception of the requirement that Executive be employed on the date the Bonus is to be paid), for the calendar year of said termination 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. Said pro-rata Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment, but in any event, not later than March 15 of the calendar year following the calendar year for which the Bonus is payable; (2) Executive shall receive any unpaid Bonus for the calendar year preceding her termination, to the extent that all criteria for such bonus have been met (with the exception of the requirement that Executive be employed on the date the Bonus is to be paid). Said Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment; and (3) all of Executive's outstanding but unvested equity awards granted pursuant to Sections 3(c) and 3(d) of this Agreement shall vest immediately. The payment of any Bonus pursuant to clause (1) or clause (2) above and the acceleration of Executive's options and stock pursuant to clause (3), are conditioned upon Executive (or her legal representative) signing a release in favor of the Company, as provided for in Section 6(f).

(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. The Company, in its sole discretion, may provide the Executive with ten (10) days' pay in lieu of notice. In the event Executive's employment is terminated pursuant to this Section 6(b), the Employment Term shall end on the effective date of termination of the Employment Term (the "Date of Termination"), and the Company shall pay to Executive, no later than the payroll cycle following Executive's termination, in one lump sum: (i) any accrued but unpaid Base Salary, less applicable deductions, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, and (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof.

In addition, upon a termination under this Section 6(c) and upon the satisfaction of the conditions set forth herein: (1) Executive shall receive a pro rata Bonus for the calendar year in which such termination occurs, equal to the Bonus she would have received, to the extent all criteria for such a Bonus have been met (with the exception of the requirement that Executive be employed on date the Bonus is to be paid), for the calendar year of said termination 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. Said pro-rata Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment, but in any event, not later than March 15 of the calendar year following the calendar year for which the Bonus is payable; (2) Executive shall receive any unpaid Bonus for the calendar year preceding her termination, to the extent that all criteria for such bonus have been met (with the exception of the Executive being employed on the date the Bonus is to be paid). Said Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment; and (3) all of Executive's outstanding but unvested equity awards granted pursuant to Sections 3(c) and 3(d) of this Agreement shall vest immediately. The payment of any Bonus pursuant to clause (1) or clause (2) above or the acceleration of Executive's options and stock pursuant to clause (3) are conditioned upon Executive signing a release in favor of the Company, as provided for in Section 6(g).

Except as specifically set forth in Section 9 hereof, the Company shall have no further obligations to Executive under this Agreement.

(d) Resignation 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 one (1) month following the occurrence of such event and, in the case of subclauses (ii), (iii), or (iv) below, a failure by the Company to cure such act or omission within thirty (30) days after receipt of such written notice. In the event that Executive elects to terminate employment pursuant to this Section 6(d), 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 resignation for Good Reason pursuant to this Section 6(d) shall be treated for all purposes as a termination without Cause pursuant to Section 6(c) and the provisions of Section 6(c) shall apply to such termination, including the payment of the Severance Amount. 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 6(d):

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

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

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

(iv) 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 Executive Vice President of the Company; or

(v) The relocation of Executive's primary office from a location that is more than 50 miles from both (a) the Company's executive office that constitutes Executive's primary office location at the time of relocation and (b) Executive's primary residence at the time of such relocation.

Except as specifically set forth in Section 9 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 6(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, less applicable deductions, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof, and (iii) any unpaid portions of the Signing Bonus and the Incentive Bonus.

Except as specifically set forth in Section 9 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 Section 6(b), 6(c) or 6(d), with the exception of accrued salary, accrued vacation payments, and payments pursuant to Section 5 of this Agreement, are conditioned upon and subject to Executive's first executing a general waiver and release (and the expiration of any associated revocation period), in such reasonable and customary form as shall be prepared by the Company, of all claims Executive may have against the Company, and related entities and individuals.

7. Required Postponement for Specified Executives.

(a) Specified Executive Delay. Notwithstanding anything in this Agreement to the contrary, if required by section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and if Executive is considered a Specified Executive (as defined herein) and payment of any amounts under this Agreement is required to be delayed for a period of six months after separation from service pursuant to Section 409A of the Code, payment of such amounts shall be delayed as required by section 409A, and the accumulated amounts shall be paid in a lump sum payment within five days after the end of the six-month period. If Executive dies during the postponement period prior to the payment of benefits, the amounts withheld on account of section 409A shall be paid to the personal representative of Executive's estate within 60 days after the date of Executive's death.

(b) "Specified Executive" shall mean an employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under section 409A of the Code, as determined by the Compensation Committee of the Board or its delegate. The determination of Specified Executives, including the number and identity of persons considered officers and the identification date, shall be made by the Compensation Committee or its delegate in accordance with the provisions of section 409A of the Code and the regulations issued thereunder.

8. No Mitigation; Employee Benefit Plans. Executive shall not be required to mitigate amounts payable to her 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. 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; *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.

9. 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 9, and excluding any Proceedings initiated by executive), 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 9 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 9 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 9 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.

10. 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.

11. Additional Agreements. As a condition to her continued employment hereunder, Executive shall execute and deliver to the Company a Confidential Information and Intellectual Property Agreement in the form attached hereto as Exhibit A (the "Intellectual Property Agreement"), which shall be incorporated herein by reference. Executive and the Company hereby agree that such Intellectual Property Agreement shall supersede 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 "Prior IP Agreement"), and that upon execution and delivery of the Intellectual Property Agreement, the Prior IP Agreement shall terminate and be of no further force or effect.

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

13. 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. 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.

14. Entire Agreement; Modification.

(a) This Agreement supersedes all prior agreements (including the Prior Agreement and the Prior IP Agreement), with the exception of the Intellectual Property Agreement, and all other agreements (or portions thereof) that deal with confidentiality or intellectual property. This Agreement sets forth the entire understanding among the parties hereto with respect to the subject matter hereof, may not be changed orally, and may be changed only by an agreement in writing signed by the parties hereto.

(b) Executive acknowledges that from time to time, the Company may establish, maintain and distribute manuals, handbooks or personnel policies, and officers or other representatives of the Company may make written or oral statements relating to personnel policies and procedures. Such manuals, handbooks and statements are intended only for general guidance. No policies, procedures or statements of any nature by or on behalf of the Company (whether written or oral, and whether or not contained in any manual or handbook or personnel policies), and no acts or practices of any nature, shall be construed to modify this Agreement or to create express or implied obligations of any nature to Executive.

15. 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.
6330 Nancy Ridge Dr., Suite 103
San Diego, CA 92121
Attention: Chief Executive Officer

To Executive:
Vivian H. Liu
c/o NexMed, Inc.
6330 Nancy Ridge Dr., Suite 103
San Diego, CA 92121

16. Section 409A of the Code. This Agreement is intended to comply with section 409A of the Code and its corresponding regulations, to the extent applicable. Accordingly, all provisions herein, or incorporated herein by reference, shall be construed and interpreted to comply with section 409A of the Code and any applicable exceptions thereunder. Notwithstanding anything in this Agreement to the contrary, payments may only be made under this Agreement upon an event and in a manner permitted by section 409A of the Code, to the extent applicable. As used in the Agreement, the term “termination of employment” shall mean Executive’s separation from service with the Company within the meaning of section 409A of the Code and the regulations promulgated thereunder. For purposes of section 409A, the right to a series of payments under the Agreement shall be treated as a right to a series of separate payments. Any amounts payable solely on account of an involuntary separation from service of Executive within the meaning of section 409A of the Code shall be excludible from the requirements of section 409A of the Code, either as involuntary separation pay or as short-term deferral amounts to the maximum possible extent. All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement shall be for expenses incurred during Executive’s lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

17. Governing Law; Jurisdiction. This Agreement shall be governed by, and construed and enforced according to, the domestic laws of the State of California 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 California. The Company and Executive agree that the state or federal courts located in San Diego, California shall have exclusive jurisdiction to hear and determine any dispute which may arise under this Agreement.

18. 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.

19. 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.

20. 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 her 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/ Vivian H. Liu
Vivian H. Liu

NEXMED, INC.

By: /s/ Bassam Damaj
Bassam Damaj
Chief Executive Officer

APPENDIX A

Change in 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 50% 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 50% 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. § 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 50% 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 50% 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 (i) solely as a result of the Closing or any of the transactions contemplated under the Merger Agreement or (ii) solely because any person acquires beneficial ownership of more than 50% 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.

EXHIBIT A

CONFIDENTIALITY AND INTELLECTUAL PROPERTY AGREEMENT

NEXMED, INC.

Employee Confidentiality and Assignment Agreement

In consideration and as a condition of my employment or continued employment by NexMed, Inc. (the "Company"), I agree as follows:

1. Proprietary Information. I agree that all information, whether or not in writing, concerning the Company's business, technology, business relationships or financial affairs which the Company has not released to the general public (collectively, "Proprietary Information") is and will be the exclusive property of the Company. By way of illustration, Proprietary Information may include information or material which has not been made generally available to the public, such as: (a) *corporate information*, including plans, strategies, methods, policies, resolutions, negotiations or litigation; (b) *marketing information*, including strategies, methods, customer identities or other information about customers, prospect identities or other information about prospects, or market analyses or projections; (c) *financial information*, including cost and performance data, debt arrangements, equity structure, investors and holdings, purchasing and sales data and price lists; and (d) *operational and technological information*, including plans, specifications, manuals, forms, templates, software, designs, methods, procedures, formulas, discoveries, inventions, improvements, concepts and ideas; and (e) *personnel information*, including personnel lists, reporting or organizational structure, resumes, personnel data, compensation structure, performance evaluations and termination arrangements or documents. Proprietary Information also includes information received in confidence by the Company from its customers or suppliers or other third parties.

2. Recognition of Company's Rights. I will not, at any time, without the Company's prior written permission, either during or after my employment, disclose any Proprietary Information to anyone outside of the Company, or use or permit to be used any Proprietary Information for any purpose other than the performance of my duties as an employee of the Company. I will cooperate with the Company and use my best efforts to prevent the unauthorized disclosure of all Proprietary Information. I will deliver to the Company all copies of Proprietary Information in my possession or control upon the earlier of a request by the Company or termination of my employment.

3. Rights of Others. I understand that the Company is now and may hereafter be subject to non-disclosure or confidentiality agreements with third persons which require the Company to protect or refrain from use of Proprietary Information. I agree to be bound by the terms of such agreements in the event I have access to such Proprietary Information.

4. Commitment to Company; Avoidance of Conflict of Interest. While an employee of the Company, I will devote my full-time efforts to the Company's business and I will not engage in any other business activity that conflicts with my duties to the Company. I will advise the president of the Company (or, if I am an executive officer of the Company, the Company's Board of Directors) or his or her nominee at such time as any activity of either the Company or another business presents me with a conflict of interest or the appearance of a conflict of interest as an employee of the Company. I will take whatever action is requested of me by the Company to resolve any conflict or appearance of conflict which it finds to exist.

5. Developments. I will make full and prompt disclosure to the Company of all inventions, discoveries, designs, developments, methods, modifications, improvements, processes, algorithms, databases, computer programs, formulae, techniques, trade secrets, graphics or images, and audio or visual works and other works of authorship (collectively "Developments"), whether or not patentable or copyrightable, that are created, made, conceived or reduced to practice by me (alone or jointly with others) or under my direction during the period of my employment. I acknowledge that all work performed by me is on a "work for hire" basis, and I hereby do assign and transfer and, to the extent any such assignment cannot be made at present, will assign and transfer, to the Company and its successors and assigns all my right, title and interest in all Developments that (a) relate to the business of the Company or any customer of the Company or any of the products or services being researched, developed, manufactured or sold by the Company or which may be used with such products or services; or (b) result from tasks assigned to me by the Company; or (c) result from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company ("Company-Related Developments"), and all related patents, patent applications, trademarks and trademark applications, copyrights and copyright applications, and other intellectual property rights in all countries and territories worldwide and under any international conventions ("Intellectual Property Rights").

To preclude any possible uncertainty, I have set forth on Exhibit A attached hereto a complete list of Developments that I have, alone or jointly with others, conceived, developed or reduced to practice prior to the commencement of my employment with the Company that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement ("Prior Inventions"). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. I have also listed on Exhibit A all patents and patent applications in which I am named as an inventor, other than those which have been assigned to the Company ("Other Patent Rights"). If no such disclosure is attached, I represent that there are no Prior Inventions or Other Patent Rights. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine or other work done for the Company, I hereby grant to the Company a nonexclusive, royalty-free, paid-up, irrevocable, worldwide license (with the full right to sublicense) to make, have made, modify, use, sell, offer for sale and import such Prior Invention. Notwithstanding the foregoing, I will not incorporate, or permit to be incorporated, Prior Inventions in any Company-Related Development without the Company's prior written consent.

As required pursuant to Section 2872 of the California Labor Code, I acknowledge that the Company has notified me that the provisions of this paragraph 5 do not apply to an invention which qualifies fully under the provisions of Section 2870 of the California Labor Code. Specifically, such provisions do not apply to, and I am not required to transfer to the Company, any invention developed entirely on my own time without using the Company's equipment, supplies, facilities, or trade secret information except for those inventions that either (a) relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company; or (b) result from any work performed by the Employee for the Company. However, I will also promptly disclose to the Company any such Developments for the purpose of determining whether they qualify for such exclusion. I understand that to the extent this Agreement is required to be construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this paragraph 5 will be interpreted not to apply to any invention which a court rules and/or the Company agrees falls within such classes. I also hereby waive all claims to any moral rights or other special rights which I may have or accrue in any Company-Related Developments.

6. Documents and Other Materials. I will keep and maintain adequate and current records of all Proprietary Information and Company-Related Developments developed by me during my employment, which records will be available to and remain the sole property of the Company at all times.

All files, letters, notes, memoranda, reports, records, data, sketches, drawings, notebooks, layouts, charts, quotations and proposals, specification sheets, or other written, photographic or other tangible material containing Proprietary Information, whether created by me or others, which come into my custody or possession, are the exclusive property of the Company to be used by me only in the performance of my duties for the Company. Any property situated on the Company's premises and owned by the Company, including without limitation computers, disks and other storage media, filing cabinets or other work areas, is subject to inspection by the Company at any time with or without notice. In the event of the termination of my employment for any reason, I will deliver to the Company all files, letters, notes, memoranda, reports, records, data, sketches, drawings, notebooks, layouts, charts, quotations and proposals, specification sheets, or other written, photographic or other tangible material containing Proprietary Information, and other materials of any nature pertaining to the Proprietary Information of the Company and to my work, and will not take or keep in my possession any of the foregoing or any copies.

7. Enforcement of Intellectual Property Rights. I will cooperate fully with the Company, both during and after my employment with the Company, with respect to the procurement, maintenance and enforcement of Intellectual Property Rights in Company-Related Developments. I will sign, both during and after the term of this Agreement, all papers, including without limitation copyright applications, patent applications, declarations, oaths, assignments of priority rights, and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Company-Related Development. If the Company is unable, after reasonable effort, to secure my signature on any such papers, I hereby irrevocably designate and appoint each officer of the Company as my agent and attorney-in-fact to execute any such papers on my behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Company-Related Development.

8. Non-Solicitation. During my employment and for a period of twelve (12) months following the termination of my employment for any reason (the "Restricted Period"), I will not, directly or indirectly, in any manner, other than for the benefit of the Company, solicit, entice or attempt to persuade any other employee or consultant of the Company to leave the services of the Company for any reason. I acknowledge and agree that if I violate any of the provisions of this paragraph 8, the running of the Restricted Period will be extended by the time during which I engage in such violation(s).

9. Government Contracts. I acknowledge that the Company may have from time to time agreements with other persons or with the United States Government or its agencies which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. I agree to comply with any such obligations or restrictions upon the direction of the Company. In addition to the rights assigned under paragraph 5, I also assign to the Company (or any of its nominees) all rights which I have or acquired in any Developments, full title to which is required to be in the United States under any contract between the Company and the United States or any of its agencies.

10. **Prior Agreements.** I hereby represent that, except as I have fully disclosed previously in writing to the Company, I am not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of my employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party. I further represent that my performance of all the terms of this Agreement as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to my employment with the Company. I will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

11. **Remedies upon Breach.** I understand that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and I consider them to be reasonable for such purpose. Any breach of this Agreement is likely to cause the Company substantial and irrevocable damage and therefore, in the event of such breach, the Company, in addition to such other remedies which may be available, will be entitled to specific performance and other injunctive relief.

12. **Use of Voice, Image and Likeness.** I give the Company permission to use any and all of my voice, image and likeness, with or without using my name, in connection with the products and/or services of the Company, for the purposes of advertising and promoting such products and/or services and/or the Company, and/or for other purposes deemed appropriate by the Company in its reasonable discretion, except to the extent expressly prohibited by law.

13. **Publications and Public Statements.** I will obtain the Company's written approval before publishing or submitting for publication any material that relates to my work at the Company and/or incorporates any Proprietary Information. To ensure that the Company delivers a consistent message about its products, services and operations to the public, and further in recognition that even positive statements may have a detrimental effect on the Company in certain securities transactions and other contexts, any statement about the Company which I create, publish or post during my period of employment and for six (6) months thereafter, on any media accessible by the public, including but not limited to electronic bulletin boards and Internet-based chat rooms, must first be reviewed and approved by an officer of the Company before it is released in the public domain.

14. **No Employment Obligation.** I understand that this Agreement does not create an obligation on the Company or any other person to continue my employment. I acknowledge that, unless otherwise agreed in a formal written employment agreement signed on behalf of the Company by an authorized officer, my employment with the Company is at will and therefore may be terminated by the Company or me at any time and for any reason.

15. **Survival and Assignment by the Company.** I understand that my obligations under this Agreement will continue in accordance with its express terms regardless of any changes in my title, position, duties, salary, compensation or benefits or other terms and conditions of employment. I further understand that my obligations under this Agreement will continue following the termination of my employment regardless of the manner of such termination and will be binding upon my heirs, executors and administrators. The Company will have the right to assign this Agreement to its affiliates, successors and assigns. I expressly consent to be bound by the provisions of this Agreement for the benefit of the Company or any parent, subsidiary or affiliate to whose employ I may be transferred without the necessity that this Agreement be resigned at the time of such transfer.

16. **Disclosure to Future Employers.** I will provide a copy of this Agreement to any prospective employer, partner or coventurer prior to entering into an employment, partnership or other business relationship with such person or entity.

17. **Severability.** In case any provisions (or portions thereof) contained in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

18. **Interpretation.** This Agreement will be deemed to be made and entered into in the State of California, and will in all respects be interpreted, enforced and governed under the laws of the State of California. I hereby agree to consent to personal jurisdiction of the state and federal courts situated within San Diego County, California for purposes of enforcing this Agreement, and waive any objection that I might have to personal jurisdiction or venue in those courts.

[End of Text]

I UNDERSTAND THAT THIS AGREEMENT AFFECTS IMPORTANT RIGHTS. BY SIGNING BELOW, I CERTIFY THAT I HAVE READ IT CAREFULLY AND AM SATISFIED THAT I UNDERSTAND IT COMPLETELY.

IN WITNESS WHEREOF, the undersigned has executed this agreement as a sealed instrument as of the date set forth below.

Signed: _____
(Employee's full name)

Type or print name: _____
Social Security Number: _____ Date: _____

EXHIBIT A

To: NexMed, Inc.

From: _____

Date: _____

SUBJECT: **Prior Inventions**

The following is a complete list of all inventions or improvements relevant to the subject matter of my employment by the Company that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

No inventions or improvements

See below:

_____

_____

_____

Additional sheets attached

The following is a list of all patents and patent applications in which I have been named as an inventor:

None

See below:

_____

_____

_____

EXHIBIT 10.43

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT, dated December 14, 2009 (the "Agreement"), is made and entered into by and between NexMed, Inc., a Nevada corporation (the "Company"), and Bassam Damaj, Ph.D. (the "Executive").

WHEREAS, the Company desires to employ Executive and to enter into this Agreement in connection with the Company's acquisition of Bio-Quant, Inc. pursuant to that certain Agreement and Plan of Merger by and among the Company, BQ Acquisition Corp., Bio-Quant, Inc. and certain other parties thereto (the "Merger Agreement");

WHEREAS, the Company considers it essential to its best interests and the best interests of its stockholders for the Company to employ Executive during the term of this Agreement; and

WHEREAS, Executive is willing to accept his employment with the Company 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 the terms and conditions set forth in Section 6 of this Agreement, Executive's employment with the Company shall be "at will," and the Company and Executive shall each have the right to terminate Executive's employment hereunder. The term of Executive's employment hereunder is referred to herein as the "Employment Term."

2. Position.

   (a) During the Employment Term, Executive shall be employed by the Company as President and Chief Executive Officer, and shall have such duties, authority, and responsibility as are commensurate with his position, subject to the direction of the Company's Board of Directors (the "Board").

   (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 approval of the Board, serving as a director, trustee or member of another business organization or (ii) participating in the affairs of any recognized charitable organizations, or in any community affairs, of Executive's choice.

   (c) Executive's duties hereunder shall be performed for the Company worldwide, with principal business activities expected to be at the Company's offices in East Windsor, New Jersey and/or San Diego, California.

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 initial annual rate of $300,000 (the "Base Salary"), payable in regular installments in accordance with the Company's usual payroll practices.

(b) Annual Bonus. With respect to each calendar year during the Employment Term, Executive shall be eligible to earn an annual bonus award (the "Bonus") in an amount not to exceed 65% of Executive's annual Base Salary. 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 performance measures 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; it is agreed that one of such objective performance measures shall be the payment to Executive of a bonus of $100,000 each year for every $1 million in revenue growth realized through non-acquisition and non-licensing activities achieved during such year. The Bonus, if any, with respect to each calendar year in the Employment Term shall be paid as promptly as practicable following the delivery of the Company's audited financial statements for such year, but not later than March 15 of the calendar year following the calendar year for which the Bonus is payable. Unless otherwise stated herein, the Bonus shall not accrue until the date on which it is paid, and Executive must be employed on the date the Bonus is paid in order to receive the Bonus.

(c) Stock Option Grant; Equity Awards.

(i) Subject to approval by the Board or the Compensation Committee and subject to stockholder approval of an increase in the number of shares authorized for issuance under the Company's 2006 Stock Incentive Plan, the Company shall grant to Executive an award for 1,500,000 shares of restricted stock (the "Award"). The Award shall vest with respect to 300,000 shares on the first anniversary of employment, 500,000 shares on the second anniversary of employment and the remaining 700,000 shares on the third anniversary of employment. All unvested shares underlying the Award shall vest immediately upon (i) a "Change in Control," as defined in Appendix A, (ii) Executive's termination without Cause pursuant to Section 6(c) or (iii) Executive's resignation for Good Reason pursuant to Section 6(d).

(ii) In addition, the Compensation Committee shall consider annually whether to grant any equity-based compensation awards to the Executive in accordance with the terms and subject to the conditions of the Company's equity compensation plans.

4. 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 (Executive shall have six weeks of paid vacation per calendar year), 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. Nothing in this Agreement shall preclude the Company or any of its subsidiaries or affiliates from terminating or amending any employee benefit plan or program from time to time after the date of this Agreement.

5. Business Expenses and Perquisites. 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.

6. Termination. Subject to this Section 6, either party may terminate this Agreement at any time and from time to time. In the event of the termination of Executive's employment, the Employment Term shall end on the day of such 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 failure to follow specific and reasonable directives of the Board, (iii) willful failure to perform his duties as President and Chief Executive Officer of the Company, (iv) willful misconduct resulting in material injury to the Company, (v) violation of the terms of the Confidential Information and Intellectual Property Agreement between Executive the Company referred to in Section 11 below, (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 this paragraph) 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 6(a) for Cause, the Employment Term shall end on the day of such termination and the Company shall pay to Executive, no later than the payroll cycle following Executive's termination, in one lump sum: (i) any accrued but unpaid Base Salary, less applicable deductions, including salary in respect of any accrued and accumulated vacation due to Executive at the date of such termination; and (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof.

Except as specifically set forth in Section 9 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. If Executive should pass away during the term of this Agreement, Executive's employment shall be deemed terminated on his date of death. 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. 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, no later than the payroll cycle following Executive's termination, 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: (i) any accrued but unpaid Base Salary, less applicable deductions, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination; (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof.

In addition, upon a termination under this Section 6(b), and upon the satisfaction of the conditions set forth herein: (1) Executive shall receive a pro rata Bonus for the calendar year in which such termination occurs, equal to the Bonus he would have received, to the extent all criteria for such a Bonus have been met (with the exception of the requirement that Executive be employed on the date the Bonus is to be paid), for the calendar year of said termination 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. Said pro-rata Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment, but in any event, not later than March 15 of the calendar year following the calendar year for which the Bonus is payable; (2) Executive shall receive any unpaid Bonus for the calendar year preceding his termination, to the extent that all criteria for such bonus have been met (with the exception of the requirement that Executive be employed on the date the Bonus is to be paid). Said Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment; and (3) all of Executive's outstanding but unvested equity awards granted pursuant to Section 3(c) of this Agreement shall vest immediately. The payment of any Bonus pursuant to clause (1) or clause (2) above and the acceleration of Executive's options and stock pursuant to clause (3), are conditioned upon Executive (or his legal representative) signing a release in favor of the Company, as provided for in Section 6(f).

(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. The Company, in its sole discretion, may provide the Executive with ten (10) days' pay in lieu of notice. In the event Executive's employment is terminated pursuant to this Section 6(c), the Employment Term shall end on the day of such termination and the Company shall pay to Executive, no later than the payroll cycle following Executive's termination, in one lump sum: (i) any accrued but unpaid Base Salary, less applicable deductions, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, and (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof.

In addition, upon a termination under this Section 6(c) and upon the satisfaction of the conditions set forth herein: (1) Executive shall receive a pro rata Bonus for the calendar year in which such termination occurs, equal to the Bonus he would have received, to the extent all criteria for such a Bonus have been met (with the exception of the requirement that Executive be employed on date the Bonus is to be paid), for the calendar year of said termination 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. Said pro-rata Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment, but in any event, not later than March 15 of the calendar year following the calendar year for which the Bonus is payable; (2) Executive shall receive any unpaid Bonus for the calendar year preceding his termination, to the extent that all criteria for such bonus have been met (with the exception of the Executive being employed on the date the Bonus is to be paid). Said Bonus shall be paid at the same time as the Bonus would have been paid had Executive remained employed by the Company through the date of payment; (3) all of Executive's outstanding but unvested equity awards granted pursuant to Section 3(c) of this Agreement shall vest immediately; and (4) the Company shall pay Executive an amount equal to twelve months of Executive's Base Salary at the time of such termination (the "Severance"). The payment of any Bonus pursuant to clause (1) or clause (2) above and the acceleration of Executive's options and stock pursuant to clause (3), are conditioned upon Executive signing a release in favor of the Company, as provided for in Section 6(f), and the Severance shall be payable in a single lump sum within 60 days after the effective date of termination of the Employment Term, subject to Executive's execution, delivery and non-revocation of a release in favor of the Company, as provided for in Section 6(f).

Except as specifically set forth in Section 9 hereof, the Company shall have no further obligations to Executive under this Agreement.

(d) Resignation 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 one (1) month following the occurrence of such event and, in the case of subclauses (ii), (iii), or (iv) below, a failure by the Company to cure such act or omission within thirty (30) days after receipt of such written notice. In the event that Executive elects to terminate employment pursuant to this Section 6(d), 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 resignation for Good Reason pursuant to this Section 6(d) shall be treated for all purposes as a termination without Cause pursuant to Section 6(c) and the provisions of Section 6(c) shall apply to such termination, including the payment of Severance. 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 6(d):

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

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

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

(iv) 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 President and Chief Executive Officer of the Company; or

(v) The relocation of Executive's primary office from a location that is more than 50 miles from both (a) the Company's executive office that constitutes Executive's primary office location at the time of relocation and (b) Executive's primary residence at the time of such relocation.

Except as specifically set forth in Section 9 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 6(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, less applicable deductions, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, and (ii) any amounts owing, but not yet paid, pursuant to Section 5 hereof.

Except as specifically set forth in Section 9 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 Section 6(b), 6(c) or 6(d), with the exception of accrued salary, accrued vacation payments, and payments pursuant to Section 5 of this Agreement, are conditioned upon and subject to Executive's first executing a general waiver and release (and the expiration of any associated revocation period), in such reasonable and customary form as shall be prepared by the Company, of all claims Executive may have against the Company, and related entities and individuals.

7. Required Postponement for Specified Executives.

(a) Specified Executive Delay. Notwithstanding anything in this Agreement to the contrary, if required by section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and if Executive is considered a Specified Executive (as defined herein) and payment of any amounts under this Agreement is required to be delayed for a period of six months after separation from service pursuant to Section 409A of the Code, payment of such amounts shall be delayed as required by section 409A, and the accumulated amounts shall be paid in a lump sum payment within five days after the end of the six-month period. If Executive dies during the postponement period prior to the payment of benefits, the amounts withheld on account of section 409A shall be paid to the personal representative of Executive's estate within 60 days after the date of Executive's death.

(b) "Specified Executive" shall mean an employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under section 409A of the Code, as determined by the Compensation Committee of the Board or its delegate. The determination of Specified Executives, including the number and identity of persons considered officers and the identification date, shall be made by the Compensation Committee or its delegate in accordance with the provisions of section 409A of the Code and the regulations issued thereunder.

8. 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. 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; *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.

9. 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 9, and excluding any Proceedings initiated by executive), 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 9 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 9 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 9 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.

10. 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.

11. Additional Agreements. As a condition to his employment hereunder, Executive shall execute and deliver to the Company a Confidential Information and Intellectual Property Agreement in the form attached hereto as Exhibit A, which shall be incorporated herein by reference.

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

13. 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. 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.

14. Entire Agreement; Modification.

(a) This Agreement supersedes all prior agreements between the Company and Executive relating to the subject matter hereof, with the exception of the Confidential Information and Intellectual Property Agreement. This Agreement sets forth the entire understanding among the parties hereto with respect to the subject matter hereof, may not be changed orally, and may be changed only by an agreement in writing signed by the parties hereto.

(b) Executive acknowledges that from time to time, the Company may establish, maintain and distribute manuals, handbooks or personnel policies, and officers or other representatives of the Company may make written or oral statements relating to personnel policies and procedures. Such manuals, handbooks and statements are intended only for general guidance. No policies, procedures or statements of any nature by or on behalf of the Company (whether written or oral, and whether or not contained in any manual or handbook or personnel policies), and no acts or practices of any nature, shall be construed to modify this Agreement or to create express or implied obligations of any nature to Executive.

15. 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.
89 Twin Rivers Drive
East Windsor, NJ 08520
Fax: 609-426-9116
Attention: Chairman

To Executive:
Bassam Damaj, Ph.D.
c/o Bio-Quant, Inc.
6330 Nancy Ridge Drive, Suite 103
San Diego, California 92121
Fax: 1-858-866-0482

16. Section 409A of the Code. This Agreement is intended to comply with section 409A of the Code and its corresponding regulations, to the extent applicable. Accordingly, all provisions herein, or incorporated herein by reference, shall be construed and interpreted to comply with section 409A of the Code and any applicable exceptions thereunder. Notwithstanding anything in this Agreement to the contrary, payments may only be made under this Agreement upon an event and in a manner permitted by section 409A of the Code, to the extent applicable. As used in the Agreement, the term "termination of employment" shall mean Executive's separation from service with the Company within the meaning of section 409A of the Code and the regulations promulgated thereunder. For purposes of section 409A, the right to a series of payments under the Agreement shall be treated as a right to a series of separate payments. Any amounts payable solely on account of an involuntary separation from service of Executive within the meaning of section 409A of the Code shall be excludible from the requirements of section 409A of the Code, either as involuntary separation pay or as short-term deferral amounts to the maximum possible extent. All reimbursements and in-kind benefits provided under the Agreement shall be made or provided in accordance with the requirements of section 409A of the Code, including, where applicable, the requirement that (i) any reimbursement shall be for expenses incurred during Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

17. Governing Law; Jurisdiction. This Agreement shall be governed by, and construed and enforced according to, the domestic laws of the State of California 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 California. The Company and Executive agree that the state or federal courts located in San Diego, California shall have exclusive jurisdiction to hear and determine any dispute which may arise under this Agreement.

18. 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.

19. 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.

20. 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/ Bassam Damaj
Bassam Damaj, Ph.D.

NEXMED, INC.

By: /s/ Vivian H. Liu
Name: Vivian H. Liu
Title: Executive Vice President

APPENDIX A

Change in 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 50% 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 50% 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. § 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 50% 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 50% 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 (i) solely as a result of the Closing or any of the transactions contemplated under the Merger Agreement or (ii) solely because any person acquires beneficial ownership of more than 50% 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.

EXHIBIT A

CONFIDENTIALITY AND INTELLECTUAL PROPERTY AGREEMENT

NEXMED, INC.

Employee Confidentiality and Assignment Agreement

In consideration and as a condition of my employment or continued employment by NexMed, Inc. (the "Company"), I agree as follows:

1. Proprietary Information. I agree that all information, whether or not in writing, concerning the Company's business, technology, business relationships or financial affairs which the Company has not released to the general public (collectively, "Proprietary Information") is and will be the exclusive property of the Company. By way of illustration, Proprietary Information may include information or material which has not been made generally available to the public, such as: (a) *corporate information*, including plans, strategies, methods, policies, resolutions, negotiations or litigation; (b) *marketing information*, including strategies, methods, customer identities or other information about customers, prospect identities or other information about prospects, or market analyses or projections; (c) *financial information*, including cost and performance data, debt arrangements, equity structure, investors and holdings, purchasing and sales data and price lists; and (d) *operational and technological information*, including plans, specifications, manuals, forms, templates, software, designs, methods, procedures, formulas, discoveries, inventions, improvements, concepts and ideas; and (e) *personnel information*, including personnel lists, reporting or organizational structure, resumes, personnel data, compensation structure, performance evaluations and termination arrangements or documents. Proprietary Information also includes information received in confidence by the Company from its customers or suppliers or other third parties.

2. Recognition of Company's Rights. I will not, at any time, without the Company's prior written permission, either during or after my employment, disclose any Proprietary Information to anyone outside of the Company, or use or permit to be used any Proprietary Information for any purpose other than the performance of my duties as an employee of the Company. I will cooperate with the Company and use my best efforts to prevent the unauthorized disclosure of all Proprietary Information. I will deliver to the Company all copies of Proprietary Information in my possession or control upon the earlier of a request by the Company or termination of my employment.

3. Rights of Others. I understand that the Company is now and may hereafter be subject to non-disclosure or confidentiality agreements with third persons which require the Company to protect or refrain from use of Proprietary Information. I agree to be bound by the terms of such agreements in the event I have access to such Proprietary Information.

4. Commitment to Company; Avoidance of Conflict of Interest. While an employee of the Company, I will devote my full-time efforts to the Company's business and I will not engage in any other business activity that conflicts with my duties to the Company. I will advise the president of the Company (or, if I am an executive officer of the Company, the Company's Board of Directors) or his or her nominee at such time as any activity of either the Company or another business presents me with a conflict of interest or the appearance of a conflict of interest as an employee of the Company. I will take whatever action is requested of me by the Company to resolve any conflict or appearance of conflict which it finds to exist.

5. Developments. I will make full and prompt disclosure to the Company of all inventions, discoveries, designs, developments, methods, modifications, improvements, processes, algorithms, databases, computer programs, formulae, techniques, trade secrets, graphics or images, and audio or visual works and other works of authorship (collectively "Developments"), whether or not patentable or copyrightable, that are created, made, conceived or reduced to practice by me (alone or jointly with others) or under my direction during the period of my employment. I acknowledge that all work performed by me is on a "work for hire" basis, and I hereby do assign and transfer and, to the extent any such assignment cannot be made at present, will assign and transfer, to the Company and its successors and assigns all my right, title and interest in all Developments that (a) relate to the business of the Company or any customer of the Company or any of the products or services being researched, developed, manufactured or sold by the Company or which may be used with such products or services; or (b) result from tasks assigned to me by the Company; or (c) result from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company ("Company-Related Developments"), and all related patents, patent applications, trademarks and trademark applications, copyrights and copyright applications, and other intellectual property rights in all countries and territories worldwide and under any international conventions ("Intellectual Property Rights").

To preclude any possible uncertainty, I have set forth on Exhibit A attached hereto a complete list of Developments that I have, alone or jointly with others, conceived, developed or reduced to practice prior to the commencement of my employment with the Company that I consider to be my property or the property of third parties and that I wish to have excluded from the scope of this Agreement ("Prior Inventions"). If disclosure of any such Prior Invention would cause me to violate any prior confidentiality agreement, I understand that I am not to list such Prior Inventions in Exhibit A but am only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs and the fact that full disclosure as to such inventions has not been made for that reason. I have also listed on Exhibit A all patents and patent applications in which I am named as an inventor, other than those which have been assigned to the Company ("Other Patent Rights"). If no such disclosure is attached, I represent that there are no Prior Inventions or Other Patent Rights. If, in the course of my employment with the Company, I incorporate a Prior Invention into a Company product, process or machine or other work done for the Company, I hereby grant to the Company a nonexclusive, royalty-free, paid-up, irrevocable, worldwide license (with the full right to sublicense) to make, have made, modify, use, sell, offer for sale and import such Prior Invention. Notwithstanding the foregoing, I will not incorporate, or permit to be incorporated, Prior Inventions in any Company-Related Development without the Company's prior written consent.

As required pursuant to Section 2872 of the California Labor Code, I acknowledge that the Company has notified me that the provisions of this paragraph 5 do not apply to an invention which qualifies fully under the provisions of Section 2870 of the California Labor Code. Specifically, such provisions do not apply to, and I am not required to transfer to the Company, any invention developed entirely on my own time without using the Company's equipment, supplies, facilities, or trade secret information except for those inventions that either (a) relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company; or (b) result from any work performed by the Employee for the Company. However, I will also promptly disclose to the Company any such Developments for the purpose of determining whether they qualify for such exclusion. I understand that to the extent this Agreement is required to be construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this paragraph 5 will be interpreted not to apply to any invention which a court rules and/or the Company agrees falls within such classes. I also hereby waive all claims to any moral rights or other special rights which I may have or accrue in any Company-Related Developments.

6. Documents and Other Materials. I will keep and maintain adequate and current records of all Proprietary Information and Company-Related Developments developed by me during my employment, which records will be available to and remain the sole property of the Company at all times.

All files, letters, notes, memoranda, reports, records, data, sketches, drawings, notebooks, layouts, charts, quotations and proposals, specification sheets, or other written, photographic or other tangible material containing Proprietary Information, whether created by me or others, which come into my custody or possession, are the exclusive property of the Company to be used by me only in the performance of my duties for the Company. Any property situated on the Company's premises and owned by the Company, including without limitation computers, disks and other storage media, filing cabinets or other work areas, is subject to inspection by the Company at any time with or without notice. In the event of the termination of my employment for any reason, I will deliver to the Company all files, letters, notes, memoranda, reports, records, data, sketches, drawings, notebooks, layouts, charts, quotations and proposals, specification sheets, or other written, photographic or other tangible material containing Proprietary Information, and other materials of any nature pertaining to the Proprietary Information of the Company and to my work, and will not take or keep in my possession any of the foregoing or any copies.

7. Enforcement of Intellectual Property Rights. I will cooperate fully with the Company, both during and after my employment with the Company, with respect to the procurement, maintenance and enforcement of Intellectual Property Rights in Company-Related Developments. I will sign, both during and after the term of this Agreement, all papers, including without limitation copyright applications, patent applications, declarations, oaths, assignments of priority rights, and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Company-Related Development. If the Company is unable, after reasonable effort, to secure my signature on any such papers, I hereby irrevocably designate and appoint each officer of the Company as my agent and attorney-in-fact to execute any such papers on my behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Company-Related Development.

8. Non-Solicitation. During my employment and for a period of twelve (12) months following the termination of my employment for any reason (the "Restricted Period"), I will not, directly or indirectly, in any manner, other than for the benefit of the Company, solicit, entice or attempt to persuade any other employee or consultant of the Company to leave the services of the Company for any reason. I acknowledge and agree that if I violate any of the provisions of this paragraph 8, the running of the Restricted Period will be extended by the time during which I engage in such violation(s).

9. Government Contracts. I acknowledge that the Company may have from time to time agreements with other persons or with the United States Government or its agencies which impose obligations or restrictions on the Company regarding inventions made during the course of work under such agreements or regarding the confidential nature of such work. I agree to comply with any such obligations or restrictions upon the direction of the Company. In addition to the rights assigned under paragraph 5, I also assign to the Company (or any of its nominees) all rights which I have or acquired in any Developments, full title to which is required to be in the United States under any contract between the Company and the United States or any of its agencies.

10. **Prior Agreements.** I hereby represent that, except as I have fully disclosed previously in writing to the Company, I am not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of my employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party. I further represent that my performance of all the terms of this Agreement as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information, knowledge or data acquired by me in confidence or in trust prior to my employment with the Company. I will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

11. **Remedies upon Breach.** I understand that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company and I consider them to be reasonable for such purpose. Any breach of this Agreement is likely to cause the Company substantial and irrevocable damage and therefore, in the event of such breach, the Company, in addition to such other remedies which may be available, will be entitled to specific performance and other injunctive relief.

12. **Use of Voice, Image and Likeness.** I give the Company permission to use any and all of my voice, image and likeness, with or without using my name, in connection with the products and/or services of the Company, for the purposes of advertising and promoting such products and/or services and/or the Company, and/or for other purposes deemed appropriate by the Company in its reasonable discretion, except to the extent expressly prohibited by law.

13. **Publications and Public Statements.** I will obtain the Company's written approval before publishing or submitting for publication any material that relates to my work at the Company and/or incorporates any Proprietary Information. To ensure that the Company delivers a consistent message about its products, services and operations to the public, and further in recognition that even positive statements may have a detrimental effect on the Company in certain securities transactions and other contexts, any statement about the Company which I create, publish or post during my period of employment and for six (6) months thereafter, on any media accessible by the public, including but not limited to electronic bulletin boards and Internet-based chat rooms, must first be reviewed and approved by an officer of the Company before it is released in the public domain.

14. **No Employment Obligation.** I understand that this Agreement does not create an obligation on the Company or any other person to continue my employment. I acknowledge that, unless otherwise agreed in a formal written employment agreement signed on behalf of the Company by an authorized officer, my employment with the Company is at will and therefore may be terminated by the Company or me at any time and for any reason.

15. **Survival and Assignment by the Company.** I understand that my obligations under this Agreement will continue in accordance with its express terms regardless of any changes in my title, position, duties, salary, compensation or benefits or other terms and conditions of employment. I further understand that my obligations under this Agreement will continue following the termination of my employment regardless of the manner of such termination and will be binding upon my heirs, executors and administrators. The Company will have the right to assign this Agreement to its affiliates, successors and assigns. I expressly consent to be bound by the provisions of this Agreement for the benefit of the Company or any parent, subsidiary or affiliate to whose employ I may be transferred without the necessity that this Agreement be resigned at the time of such transfer.

16. **Disclosure to Future Employers.** I will provide a copy of this Agreement to any prospective employer, partner or coventurer prior to entering into an employment, partnership or other business relationship with such person or entity.

17. **Severability.** In case any provisions (or portions thereof) contained in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

18. **Interpretation.** This Agreement will be deemed to be made and entered into in the State of California, and will in all respects be interpreted, enforced and governed under the laws of the State of California. I hereby agree to consent to personal jurisdiction of the state and federal courts situated within San Diego County, California for purposes of enforcing this Agreement, and waive any objection that I might have to personal jurisdiction or venue in those courts.

[End of Text]

I UNDERSTAND THAT THIS AGREEMENT AFFECTS IMPORTANT RIGHTS. BY SIGNING BELOW, I CERTIFY THAT I HAVE READ IT CAREFULLY AND AM SATISFIED THAT I UNDERSTAND IT COMPLETELY.

IN WITNESS WHEREOF, the undersigned has executed this agreement as a sealed instrument as of the date set forth below.

Signed: _____
(Employee's full name)

Type or print name: _____
Social Security Number: _____ Date: _____

EXHIBIT A

To: NexMed, Inc.

From: _____

Date: _____

SUBJECT: **Prior Inventions**

The following is a complete list of all inventions or improvements relevant to the subject matter of my employment by the Company that have been made or conceived or first reduced to practice by me alone or jointly with others prior to my engagement by the Company:

No inventions or improvements

See below:

_____

_____

_____

Additional sheets attached

The following is a list of all patents and patent applications in which I have been named as an inventor:

None

See below:

_____

_____

_____

EXHIBIT 10.44

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT ("Agreement") is made as of the 15th day of March, 2010 by and among NEXMED, INC., a Nevada corporation (the "Company"), and the Purchasers set forth on the signature page affixed hereto (each a "Purchaser" and collectively the "Purchasers").

Recitals

A. The Company and the Purchasers are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(2) under the Securities Act of 1933, as amended; and

B. The Purchasers wish to purchase, and the Company wishes to sell and issue to the Purchasers, upon the terms and subject to the conditions stated in this Agreement an aggregate of $4,000,000.00 in principal amount of the Company's 7% Convertible Notes due December 31, 2012 in the form attached hereto as **Exhibit A** (the "Notes"), which Notes may be converted into shares of common stock of the Company, $0.001 par value per share (the "Common Stock"), in accordance with the terms of the Notes, in such amounts as are set forth on the signature page attached hereto and executed by each such Purchaser, for an aggregate purchase price of $4,000,000.00.

C. Contemporaneous with the execution and delivery of this Agreement, the parties hereto are executing and delivering a Registration Rights Agreement, in the form attached hereto as **Exhibit B** (the "Registration Rights Agreement"), pursuant to which the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, and applicable state securities laws; and

In consideration of the mutual promises made herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. In addition to those terms defined above and elsewhere in this Agreement, for the purposes of this Agreement, the following terms shall have the meanings here set forth:

1.1. "Affiliate" means, with respect to any Person, any other Person which directly or indirectly controls, is controlled by, or is under common control with, such Person, where "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

1.2. "Agreements" means this Agreement, the Registration Rights Agreement, the Subsidiary Guaranty, the Mortgage and the Notes.

1.3. The "Company" shall refer to the Company (as defined in the first paragraph hereof) together with its subsidiaries wherever applicable (including without limitation with respect to all representations of the Company unless the context otherwise requires).

1.4. "Closing" means the consummation of the transactions contemplated by this Agreement, and "Closing Date" means the date of such Closing.

1.5. "Convertible Securities" means any convertible securities, warrants, options or other rights to subscribe for or to purchase or exchange for, shares of Common Stock.

1.6. "Material Adverse Effect" means a material adverse effect on the (i) condition (financial or otherwise), business, assets or results of operations of the Company; (ii) ability of the Company to perform any of its material obligations under the terms of the Agreements; or (iii) material rights and remedies of a Purchaser under the terms of the Agreements.

1.7. "Mortgage" means the Mortgage, Security Agreement and Assignment of Leases and Rents, in the form attached hereto as **Exhibit C**, executed by the Operating Subsidiary in favor of the Purchasers dated on or about the date hereof, securing the Company's obligations under the Notes.

1.8. "Notes" shall have meaning set forth in the recitals to this Agreement.

1.9. "Operating Subsidiary" means NexMed (U.S.A.), Inc., a Delaware corporation which is wholly-owned by the Company.

1.10. "Participation Percentage" means the product of (a) 25% multiplied by (b) a fraction, the numerator of which equals the then aggregate outstanding principal amount of all Notes and the denominator of which equals the original aggregate principal amount of all Notes.

1.11. "Person" means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

1.12. "SEC" means the U.S. Securities and Exchange Commission.

1.13. "SEC Filings" means the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and all other reports filed by the Company pursuant to the 1934 Act since December 31, 2008.

1.14. "Securities" means the Notes and Underlying Shares.

1.15. "Subsidiary Guaranties" means the Subsidiary Guaranties, in the form attached hereto as **Exhibit D**, executed by each of the Operating Subsidiary and Bio-Quant Inc. in favor of the Purchasers, guaranteeing the Company's obligations under the Notes.

1.16. "Underlying Shares" means the shares of Common Stock issued or issuable upon conversion of, as payment for interest or accreted amounts under, or otherwise pursuant to, the Notes.

1.17. "Variable Rate Transaction" means a transaction in which the Company issues or sells, or agrees to issue or sell, Common Stock or Convertible Securities in which the applicable sale, conversion, exercise or exchange price or rate may directly or indirectly effectively be reduced, reset or repriced based upon future events or occurrences, future trading prices or quotations, or future issuances of Common Stock or Convertible Securities (including such resets effected directly or indirectly by the issuance of additional securities), including an "equity line" transaction but excluding standard provisions for rights of first refusal on additional financings and standard anti-dilution provisions including weighted-average anti-dilution provisions substantially similar to those set forth in the Notes which are contained in Convertible Securities.

1.18. "1933 Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.19. "1934 Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.20. "2008 Notes" means the Company's 7% Convertible Notes due December 31, 2011 issued to the Purchasers on June 30, 2008.

1.21. "2009 Notes" means the Company's 7% Convertible Notes due December 31, 2011 issued to the Purchasers on or about November 10, 2009.

2. Purchase and Sale of the Notes. Subject to the terms and conditions of this Agreement and on the basis of the representations and warranties made herein, each of the Purchasers hereby severally, and not jointly, agrees to purchase, and the Company hereby agrees to sell and issue to each of the Purchasers, the principal amount of Notes set forth on such Purchaser's signature page attached hereto and as indicated on the Schedule of Investors attached hereto. Each Purchaser's aggregate purchase price (the "Purchase Price") for the Notes to be purchased hereunder is set forth on such Purchaser's signature page attached hereto and on such Schedule of Investors.

3. Closing.

3.1. Closing Procedure. The Company shall promptly deliver to Purchasers' counsel, Peter J. Weisman, P.C., in trust, Notes registered in the names of the Purchasers as indicated on the signature pages to this Agreement, representing all of the Notes, with instructions that such Notes are to be held in escrow for release to the Purchasers only upon payment of the Purchase Price to the Company and confirmation of receipt by the Company or its counsel. Upon receipt by counsel to the Purchasers of the Notes and the execution and/or delivery of such other documents contemplated hereby to be executed and/or delivered on or prior to the Closing, each Purchaser shall promptly cause a wire transfer in same day funds to be sent to the account of the Company as instructed in writing by the Company, in an amount representing the Purchase Price, provided that the Purchasers may deliver all or a portion of such Purchase Price equal to the outstanding amount under the 2008 Notes and 2009 Notes by surrendering such Notes to the Company. On the date the Company receives such funds and 2008 Notes and 2009 Notes, the Notes shall be released to the Purchasers (and such date shall be deemed the "Closing Date").

3.2. Closing Date Deliveries.

(a) On the Closing Date, the Company shall deliver to the Purchasers:

(i) Notes in the form attached as Exhibit A;

(ii) The executed Registration Rights Agreement in the form attached as Exhibit B;

(iii) The Subsidiary Guaranty in the form attached as Exhibit D and the Mortgage in the form attached as Exhibit C, in each case executed and acknowledged by the Operating Subsidiary, and the Subsidiary Guaranty executed by Bio-Quant, Inc.;

(iv) A Subordination, Non-Disturbance and Attornment Agreement, in the form attached as Exhibit E, executed and delivered by the Operating Subsidiary and the tenant under that certain lease dated as of December 16, 2009 pursuant to which the Premises (as defined in the Mortgage) were leased to such tenant ("SNDA");

(v) The opinion(s) of counsel referred to in Section 7.5 below;

(vi) An officer's certificate in form and substance reasonably satisfactory to the Purchasers and the Purchasers' counsel, executed by an officer of the Company and the Operating Subsidiary, certifying as to satisfaction of applicable closing conditions, incumbency of signing officers, the true, correct and complete nature of the Certificate of Incorporation and By-laws, good standing and authorizing resolutions, in each case of the Company and the Operating Subsidiary; and

(vii) Cash for all accrued but unpaid interest on the 2008 Notes and 2009 Notes through the Closing Date, which amount may be deducted by the Purchasers from the cash amount payable pursuant to subsection (b) (i) below; and

(viii) A stamped copy of the amendment to the Company's Articles of Incorporation to effect an increase of the number of authorized shares of Common Stock to at least 200 million shares.

(b) On the Closing Date, the Purchasers shall deliver to the Company:

(i) The Purchase Price set forth on the Purchasers' signature page hereto, which shall consist of the surrender of the 2008 Notes and 2009 Notes and the additional cash (if any), all as designated on the Schedule of Investors attached hereto; and

(ii) The executed Registration Rights Agreement.

(iii) A copy of the SNDA executed by the collateral agent under the Mortgage on behalf of the Purchasers.

(c) Effective as of the Closing, the Company shall repay to Solomon Strategic Holdings, Inc. the remaining outstanding balance under the 2008 Notes and 2009 Notes held by such Purchaser and surrendered at Closing as indicated on the Schedule of Investors, which payment shall be made within three (3) business days following the Closing Date (the failure of which shall constitute an Event of Default under the Notes).

4. Representations and Warranties of the Company. The Company hereby represents and warrants to the Purchasers that:

4.1. Organization, Good Standing and Qualification. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to carry on its business as now conducted and own its properties. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property makes such qualification or licensing necessary unless the failure to so qualify would not be reasonably likely to result in a Material Adverse Effect. All of the Company's subsidiaries are listed by name and jurisdiction on Schedule 4.1 attached hereto. All subsidiaries are wholly-owned by the Company. The Operating Subsidiary is a wholly-owned subsidiary of the Company and owns all the Mortgaged Property (as defined in the Mortgage).

4.2. Authorization. The Company has full power and authority and has taken all requisite action on the part of the Company, its officers, directors and stockholders necessary for (i) the authorization, execution and delivery of the Agreements, (ii) authorization of the performance of all obligations of the Company hereunder and thereunder, and (iii) the authorization, issuance (or reservation for issuance) and delivery of the Securities. The Agreements constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally and except to the extent the indemnification provisions contained in the Registration Rights Agreement may be limited by applicable federal or state securities laws.

4.3. Capitalization. Set forth on Schedule 4.3 hereto is (a) the authorized capital stock of the Company on the date hereof; (b) the number of shares of capital stock issued and outstanding on the date hereof; (c) the number of shares of capital stock issuable pursuant to the Company's stock plans; and (d) the number of shares of capital stock issuable and reserved for issuance pursuant to securities (other than the Notes) exercisable for, or convertible into or exchangeable for any shares of capital stock. All of the issued and outstanding shares of the Company's capital stock have been duly authorized and validly issued and are fully paid and nonassessable, except to the extent that the failure of the foregoing to be true and correct would not have a Material Adverse Effect. Except as set forth on Schedule 4.3, no Person is entitled to preemptive or similar statutory or contractual rights with respect to any securities of the Company. Except as set forth on Schedule 4.3, there are no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which the Company is or may be obligated to issue any equity securities of any kind, and except as contemplated by this Agreement or set forth on Schedule 4.3, the Company is not currently in negotiations for the issuance of any equity securities of any kind. Except as set forth on Schedule 4.3, the Company has no knowledge of any voting agreements, buy-sell agreements, option or right of first purchase agreements or other agreements of any kind among any of the securityholders of the Company relating to the securities of the Company held by them. Except as set forth on Schedule 4.3, the Company has not granted any Person the right to require the Company to register any securities of the Company under the 1933 Act, whether on a demand basis or in connection with the registration of securities of the Company for its own account or for the account of any other Person.

4.4. Valid Issuance. As of the Closing, the Company has reserved a sufficient number of shares of Common Stock for the issuance upon conversion of, as payment for interest on or repayment of principal of, and otherwise pursuant to, the Notes. The Notes are duly authorized, and the Underlying Shares, when issued in accordance herewith and, in respect of the Underlying Shares issued pursuant to the terms of the Notes, will be validly issued, fully paid, non-assessable and free and clear of all encumbrances and restrictions, except for restrictions on transfer imposed by applicable securities laws. The number of shares to be reserved hereunder shall be determined without regard to any restrictions on beneficial ownership or issuance contained in the Agreements.

4.5. Consents. The execution, delivery and performance by the Company of the Agreements and, subject to the truth and accuracy of the representations made by the Purchasers in Section 5 of this Agreement, the offer, issuance and sale of the Securities, require no consent of, action by or in respect of, or filing with, any Person, governmental body, agency, or official, other than filings that have been made pursuant to applicable state securities laws and post-sale filings pursuant to applicable state and federal securities laws and the requirements of the Nasdaq Stock Market, which the Company undertakes to file within the applicable time periods. The Company has been orally advised by NASDAQ that the transactions contemplated hereby, when integrated with the Company's February 2010 offering of convertible promissory notes due August 4, 2010 (the "2010 Offering"), should not violate NASDAQ Marketplace Rules (subject to the NASDAQ's review of the final transaction documents for the transactions contemplated hereby). The Company does not believe that the transactions contemplated hereby will be integrated with any prior offering or issuance of securities by the Company, including without limitation the offering and sale of the 2008 Notes and 2009 Notes and the 2010 Offering, for purposes of the 1933 Act such that the Company would not be able to rely on the registration exemption provided in Section 4(2) of the 1933 Act with respect to the transactions contemplated hereby. Other than the 2010 Offering, the Company does not believe that the transactions contemplated hereby will be integrated with any prior offering or issuance of securities by the Company, including without limitation the offering and sale of the 2008 Notes and 2009 Notes, for purposes of the Nasdaq Stock Market rules and regulations (including those requiring stockholder approval in certain circumstances) such that stockholder approval would be required in connection with the transactions contemplated hereby.

4.6. Delivery of SEC Filings; Business. The SEC Filings represent all filings required of the Company pursuant to the 1934 Act since December 31, 2008. The SEC Filings complied as to form in all material respects with the requirements of the 1934 Act and did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The Company is engaged only in the business described in the SEC Filings, and the SEC Filings contain a complete and accurate description of the business of the Company in all material respects. The Company has not provided to any Purchaser (i) any information required to be filed under the 1934 Act that has not been so filed or (ii) any material nonpublic information.

4.7. Use of Proceeds. The proceeds of the sale of the Securities hereunder shall be used by the Company for working capital and general corporate purposes.

4.8. No Material Adverse Change. Since December 31, 2008, except as disclosed and described in the SEC Filings, there has not been:

(i) any change in the consolidated assets, liabilities, financial condition or operating results of the Company from that reflected in the financial statements included in the Company's Form 10-K for the fiscal year ended December 31, 2008, except changes in the ordinary course of business which have not had, in the aggregate, a Material Adverse Effect;

(ii) any declaration or payment of any dividend, or any authorization or payment of any distribution, on any of the capital stock of the Company, or any redemption or repurchase of any securities of the Company;

(iii) any material damage, destruction or loss, whether or not covered by insurance, to any assets or properties of the Company or any of its subsidiaries;

(iv) any waiver by the Company of a material right or of a material debt owed to it;

(v) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and which is not material to the assets, properties, financial condition, operating results or business of the Company taken as a whole (as such business is presently conducted and as it is proposed to be conducted);

(vi) any material change or amendment to a material contract or arrangement by which the Company or any of its assets or properties is bound or subject;

(vii) any material labor difficulties or labor union organizing activities with respect to employees of the Company;

(viii) any transaction entered into by the Company other than in the ordinary course of business; or

(ix) any other event or condition of any character that may have a Material Adverse Effect.

4.9. Registration Statements; Material Contracts.

(a) During the preceding two years, each registration statement and any amendment thereto filed by the Company pursuant to the 1933 Act, as of the date such statement or amendment became effective, complied as to form in all material respects with the 1933 Act and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; and each prospectus filed pursuant to Rule 424(b) under the 1933 Act, as of its issue date and as of the closing of any sale of securities pursuant thereto did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Except as set forth in the SEC Filings or on Schedule 4.3 hereto, there are no agreements or instruments currently in force and effect that constitute a warrant, option, convertible security or other right, agreement or arrangement of any character under which the Company is or may be obligated to issue any material amounts of any equity security of any kind, or to transfer any material amounts of any equity security of any kind.

4.10. Form S-3 Eligibility. The Company is currently eligible to register the resale of its Common Stock on a registration statement on Form S-3 under the 1933 Act, subject to offering size limitations that may be imposed by the Commission under Rule 415 under the 1933 Act.

4.11. No Conflict, Breach, Violation or Default; Compliance with Law. The execution, delivery and performance of the Agreements by the Company and the issuance and sale of the Securities will not conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under (i) the Company's Articles of Incorporation (including any certificates of designation) or the Company's Bylaws, both as in effect on the date hereof (copies of which have been provided to the Purchasers before the date hereof), or (ii) except where it would not have a Material Adverse Effect, (A) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its properties, or (B) any agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the properties of the Company is subject. Except where it would not have a Material Adverse Effect and except as set forth on Schedule 4.11, the Company (i) is not in violation of any statute, rule or regulation applicable to the Company or its assets, (ii) is not in violation of any judgment, order or decree applicable to the Company or its assets, and (iii) is not in breach or violation of any agreement, note or instrument to which it or its assets are a party or are bound or subject. The Company has not received notice from any Person of any claim or investigation that, if adversely determined, would render the preceding sentence untrue or incomplete.

4.12. Tax Matters. The Company has timely prepared and filed all tax returns required to have been filed by the Company with all appropriate governmental agencies and timely paid all taxes owed by it, in each case taking into account permitted extensions. The charges, accruals and reserves on the books of the Company in respect of taxes for all fiscal periods are adequate in all material respects, and there are no material unpaid assessments against the Company nor, to the knowledge of the Company, any basis for the assessment of any additional taxes, penalties or interest for any fiscal period or audits by any federal, state or local taxing authority except such as which are not material. All material taxes and other assessments and levies that the Company is required to withhold or to collect for payment have been duly withheld and collected and paid to the proper governmental entity or third party when due. There are no tax liens or claims pending or threatened against the Company or any of its respective assets or property. There are no outstanding tax sharing agreements or other such arrangements between the Company and any other corporation or entity.

4.13. Title to Properties and Securities. Except as disclosed in the SEC Filings, the Company has, or will at or prior to Closing have, good and marketable title to all real properties and all other properties and assets owned by it, in each case free from liens, encumbrances and defects (other than the Mortgage) that would materially affect the value thereof or materially interfere with the use made or currently planned to be made thereof by them; and except as disclosed in the SEC Filings, the Company holds any leased real or personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or currently planned to be made thereof by them. Except as disclosed in the SEC Filings, the Operating Subsidiary owns all the Mortgaged Property (as defined in the Mortgage) free and clear of all liens, claims, encumbrances and defects (other than the Mortgage) except those that would not individually or in the aggregate materially affect the value thereof or materially interfere with the use made or currently planned to be made thereof. The Company (excluding its subsidiaries) does not own any assets other than the securities of each of its wholly-owned subsidiaries and does not engage in any operating activities other than acting as a holding company of the securities of such subsidiaries. All of the Company's operating assets and properties (including without limitation all Equipment, as defined in the Mortgage) are owned or leased by the Operating Subsidiary and/or Bio-Quant Inc., a wholly-owned subsidiary of the Company, except for the Company's intellectual property rights which are entirely owned by NexMed Holdings, Inc., a Delaware corporation ("Holdings"), which is wholly-owned subsidiary of the Company, and except for assets located outside the United States, which are entirely owned by NexMed International Limited, a corporation which is organized under the laws of the British Virgin Islands and which is wholly-owned subsidiary of the Company ("International"). Holdings does not engage in any activities except for holding the intellectual property rights of the Company, and International and its two subsidiaries do not engage in any business or activities in the United States.

4.14. Certificates, Authorities and Permits. The Company possesses adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by it and has not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company, would individually or in the aggregate have a Material Adverse Effect.

4.15. No Labor Disputes. Except as disclosed in the SEC Filings, no material labor dispute with the employees of the Company exists or, to the knowledge of the Company, is imminent.

4.16. Intellectual Property. The Company owns or possesses adequate rights or licenses to the inventions, know-how, patents, patent rights, copyrights, trademarks, trade names, licenses, approvals, governmental authorizations, trade secrets confidential information and other intellectual property rights (collectively, "Intellectual Property Rights"), free and clear of all liens, security interests, charges, encumbrances, equities and other adverse claims, necessary to conduct the business now operated by it, or presently employed by it, and presently contemplated to be operated by it, and the Company has not received any notice of infringement of or conflict with asserted rights of others with respect to any Intellectual Property Rights except as disclosed in the SEC Filings. Except as set forth on Schedule 4.16 hereto or as disclosed in the SEC Filings, none of the Company's Intellectual Property Rights have expired or terminated, or are expected to expire or terminate within three years from the date of this Agreement, except where such expirations or termination would not result, either individually or in the aggregate, in a Material Adverse Effect. To the knowledge of the Company, the Company's patents and other Intellectual Property Rights and the present activities of the Company do not infringe any patent, copyright, trademark, trade name or other proprietary rights of any third party where such infringement may cause a Material Adverse Effect on the Company, and there is no claim, action or proceeding being made or brought against, or to the Company's knowledge, being threatened against, the Company regarding its Intellectual Property Rights, and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company has no knowledge of the material infringement of its Intellectual Property Rights by third parties and has no reason to believe that any of its Intellectual Property Rights is unenforceable, and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company has taken commercially reasonable security measures to protect the secrecy, confidentiality and value of all of its intellectual properties.

4.17. Mortgage Representations. All of the representations and warranties contained in the Mortgage are true and correct as of the date hereof.

4.18. Litigation. Except as disclosed in the SEC Filings, there are no pending actions, suits or proceedings against or affecting the Company or any of its properties that, if determined adversely to the Company, would individually or in the aggregate have a Material Adverse Effect or would materially and adversely affect the ability of the Company to perform its obligations under the Agreements, or which are otherwise material in the context of the sale of the Securities; and to the Company's knowledge, no such actions, suits or proceedings are threatened or contemplated.

4.19. Financial Statements. The financial statements included in each SEC Filing present fairly and accurately in all material respects the consolidated financial position of the Company as of the dates shown and its consolidated results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. Except as set forth in the financial statements of the Company included in the SEC Filings filed prior to the date hereof, the Company has no liabilities, contingent or otherwise, except those which individually or in the aggregate are not material to the financial condition or operating results of the Company.

4.20. Insurance Coverage. The Company maintains in full force and effect insurance coverage that the Company reasonably believes to be adequate against all liabilities, claims and risks against which it is customary for comparably situated companies to insure.

4.21. Compliance with Nasdaq Continued Listing Requirements. Except as set forth in the SEC Filings or on Schedule 4.21, the Company is, or will upon the Closing be, in compliance with all applicable Nasdaq Capital Market continued listing requirements. Except as set forth in the SEC Filings or on Schedule 4.21, there are no proceedings pending or to the Company's knowledge threatened against the Company relating to the continued listing of the Company's Common Stock on the Nasdaq Capital Market and the Company has not received any notice of, nor to the knowledge of the Company is there any basis for, the delisting of the Common Stock from the Nasdaq Capital Market.

4.22. Brokers and Finders. Neither the Purchasers nor the Company shall have any liability or responsibility for the payment of any commission or any finder, agent, broker or consultant fee to any third party in connection with or resulting from this agreement or the transactions contemplated by this Agreement by reason of any agreement of or action taken by the Company, and the Company shall not pay any such commission or fee.

4.23. No General Solicitation. Neither the Company nor any Person acting on its behalf has conducted any general solicitation or general advertising (as those terms are used in Regulation D promulgated under the 1933 Act) in connection with the offer or sale of any of the Securities.

4.24. No Integrated Offering. Neither the Company nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would adversely affect reliance by the Company on Section 4(2) of the 1933 Act for the exemption from registration for the transactions contemplated hereby or would require registration of the Securities under the 1933 Act. The offer and sale of the Securities and the transactions contemplated hereby does not require any stockholder approval by the Company, including without limitation pursuant to the rules of the Nasdaq Stock Market.

4.25. Disclosures. No representation or warranty made by the Company under any section hereof and no written information furnished by the Company to the Purchasers or any authorized representative of the Purchasers, pursuant to the Agreements or in connection therewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which the statements were made, not misleading.

4.26 Share Increase. On March 2, 2010, the Company's shareholders approved the increase of the number of authorized shares of Common Stock to at least 200 million shares, and the Company has duly filed an amendment to its Articles of Incorporation to effect such increase.

5. Representations and Warranties of the Purchaser. Each of the Purchasers hereby severally, and not jointly, represents and warrants to the Company as to itself only that:

5.1. Organization and Existence. The Purchaser is a validly existing corporation, partnership or limited liability company and has all requisite corporate, partnership or limited liability company power and authority to invest in the Securities pursuant to this Agreement.

5.2. Authorization. The execution, delivery and performance by the Purchaser of this Agreement and the Registration Rights Agreement have been duly authorized and this Agreement and the Registration Rights Agreement will each constitute the valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally.

5.3. Purchase Entirely for Own Account. The Securities to be received by the Purchaser hereunder will be acquired for the Purchaser's own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of securities laws, and the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of securities laws. The Purchaser is not a registered broker dealer or an entity engaged in the business of being a broker dealer.

5.4. Investment Experience. The Purchaser acknowledges that it can bear the economic risk and complete loss of its investment in the Securities and has such knowledge and experience in financial or business matters and in private placement transactions of companies similar to the Company so that it is capable of evaluating the merits and risks of the purchase contemplated hereby.

5.5. Disclosure of Information. The Purchaser has had an opportunity to receive documents related to the Company and to ask questions of and receive answers from the Company regarding the Company, its business and the terms and conditions of the offering of the Securities and has received and read the SEC Filings filed via EDGAR at least five days prior to the date hereof. Neither such inquiries nor any other due diligence investigation conducted by the Purchaser shall modify, amend or affect the Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or made pursuant to this Agreement.

5.6. Restricted Securities. The Purchaser understands that the Securities are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws, applicable state laws and applicable regulations such securities may be resold without registration under the 1933 Act only in certain limited circumstances.

5.7. Legends.

(a) It is understood that, until such time as certificates evidencing the Underlying Shares are required to be issued without legends pursuant paragraph (b) below, certificates evidencing the Securities may bear one or all of the following legends or legends substantially similar thereto:

(i) "The shares represented by this certificate may not be transferred without (i) the opinion of counsel reasonably satisfactory to the corporation that such transfer may lawfully be made without registration under the Securities Act of 1933 or qualification under applicable state securities laws; or (ii) such registration or qualification."

(ii) If required by the authorities of any state in connection with the issuance of sale of the Securities, the legend required by such state authority.

(b) Upon registration for resale pursuant to the Registration Rights Agreement or upon the first anniversary of the Closing Date (and the holder thereof confirming that it is not an affiliate of the Company), the Company shall promptly cause certificates evidencing the Underlying Shares previously issued to be replaced with certificates (or cause to be issued original certificates if not previously issued) which do not bear such restrictive legends, and all Underlying Shares subsequently issued shall not bear such restrictive legends. In addition, in the event of any sales of Underlying Shares by the holder thereof pursuant to Rule 144(b)(1)(i) under the 1933 Act prior to the first anniversary of the Closing Date, the Company shall promptly cause certificates evidencing such Underlying Shares previously issued to be replaced with certificates (or cause to be issued original certificates if not previously issued) which do not bear such restrictive legends. In the event that the Company does not issue new, unlegended certificates in replacement of the legended certificates as required under this Section 5.7 within 10 business days of a written request to do so, or if any subsequently issued Underlying Shares are issued with restrictive legends when unlegended certificates are required under this Section 5.7, the Company shall be liable to the Purchaser (or subsequent holder thereof) for damages in an amount of $500 cash for each such day beyond the replacement date (or issuance date, in the case of newly converted Notes) that such unlegended certificates are not issued and delivered to the Purchaser or subsequent holder.

5.8. Accredited Investor. The Purchaser is an "accredited investor" as defined in Rule 501(a) of Regulation D, as amended, under the 1933 Act.

5.9. No General Solicitation. The Purchaser did not learn of the investment in the Securities as a result of any public advertising or general solicitation.

6. Closing Documents. The parties acknowledge and agree that part of the inducement for the Purchasers to enter into this Agreement is the Company's execution and delivery of the Registration Rights Agreement and the execution and delivery of the Subsidiary Guaranty and the Mortgage by the Operating Subsidiary. The parties acknowledge and agree that on or prior to the Closing, the Registration Rights Agreement, the Subsidiary Guaranty and the Mortgage will be duly executed and delivered by the parties thereto.

7. Covenants and Agreements of the Company.

7.1. Rule 144. Until such time that the Purchasers no longer own any Notes, the Company covenants to file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the 1934 Act even if the Company is not then subject to the reporting requirements of the 1934 Act. As long as any Purchaser owns Notes, if the Company is not required to file reports pursuant to the 1934 Act, it will prepare and furnish to such Purchaser and make publicly available in accordance with Rule 144(c) such information as is required for the Purchaser to sell the Securities under Rule 144. The Company further covenants that it will take such further action as any holder of Notes may reasonably request, to the extent required from time to time to enable such Person to sell the Underlying Shares without registration under the Securities Act within the requirements of the exemption provided by Rule 144. So long as any Notes are outstanding, the Company shall cause itself to be subject to the reporting requirements of Section 13 or 15(d) of the 1934 Act and file all reports required to be filed thereunder. The Company agrees that, for purposes of determining the holding period under Rule 144 of the 1933 Act for Underlying Shares issued upon conversion of the Notes, the holding period of such Underlying Shares shall be tacked to the holding period of the Notes.

7.2. Limitation on Transactions.

(a) So long as any of the Notes remain outstanding, without the prior written consent of the holders of a majority-in-interest of the Notes (which consent may be withheld in such holders' discretion), the Company shall not issue or sell or agree to issue or sell any securities in a Variable Rate Transaction, *provided, however*, that without such consent, the Company may issue or sell for cash any securities in a Variable Rate Transaction so long as the total number of shares of Common Stock issued and/or agreed to be issued in the aggregate for all such transactions (determined as if all such securities as of their issuance are deemed fully converted, exercised and exchanged into Common Stock without regard to limitations or restrictions contained therein) represents less than seven percent (7%) of the total number of the Company's issued and outstanding shares of Common Stock as of the closing date of any such transaction.

(b) So long as any Notes remain outstanding, the Company and the Operating Subsidiary shall not directly or indirectly, create, incur, assume or permit or suffer to exist any lien, mortgage, security interest or encumbrance (other than statutory liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof) upon any of the Mortgaged Property (as defined in the Mortgage) except for those created by the Mortgage and shall not directly or indirectly sell, transfer or lease any of the Mortgaged Property, subject to Section 7.2(c) below and except for any Lease (as defined in the Mortgage) which may be entered into in compliance with the terms of the Mortgage.

(c) Notwithstanding anything contained herein or the other Agreements, the Company or the Operating Subsidiary may sell the Mortgaged Property in its entirety, *provided that* (i) upon or prior to such sale, the Company shall deposit into escrow for the benefit of the Purchasers an amount of cash equal to (x) the aggregate then outstanding principal amount of all Notes, plus (y) all Accreted Amounts (as defined in the Notes) accrued to date thereon, plus (z) all Accreted Amounts scheduled to accrue under the Notes from such date through the Maturity Date (as defined in the Notes) ("Escrow Funds"), which Escrow Funds shall secure all obligations under the Notes, and (ii) thereafter the Purchasers may at any time and from time to time demand immediate repayment of all or part of the amounts (including principal and Accreted Amounts) then outstanding and accrued under the Notes, which repayment shall be made from the Escrow Funds. In the event that the Company shall be required to deposit Escrow Funds in escrow pursuant to this Section 7.2(c), an independent escrow agent (the "Escrow Agent") mutually acceptable to the Company and the Purchasers shall be appointed to hold such Escrow Funds in escrow pursuant to an escrow agreement on terms mutually acceptable to the Company and the Purchasers (the "Escrow Agreement"). The Escrow Agreement shall provide that each Purchaser may make any demand of repayment as contemplated in clause 7.2(c)(ii) above directly to the Escrow Agent, whereupon such repayment shall be made to such Purchaser from such Escrow Funds. Upon deposit of the Escrow Funds into escrow, the Company shall, and shall cause the Operating Subsidiary to, execute and deliver in favor of the Purchasers a control agreement in form and substance reasonably acceptable to the Purchasers and such other agreements and documents to ensure that (1) the Purchasers have a first priority security interest in and lien on such Escrow Funds, (2) to the extent possible such Escrow Funds may not be released except as set forth in such Escrow Agreement, and (3) to the extent possible such Escrow Funds will not be subject to any claims by any of the Company's or Operating Subsidiary's creditors. The deposit of the Escrow Funds into escrow and the creation of a security interest therein in accordance with the terms of this Section 7.2(c) shall be a condition precedent to any sale of the Mortgaged Property and neither the Company nor the Operating Subsidiary shall effectuate any such sale unless and until such condition has been satisfied. To the extent any principal amount of Notes and/or Accreted Amounts is converted into shares of Common Stock pursuant to the terms of the Notes, an amount of cash equal to such principal amount and/or Accreted Amounts may be released to the Company. For clarification purposes (1) following any such sale of the Mortgaged Property the Notes shall remain outstanding and in full force and effect in accordance with the terms set forth therein, except for the Purchasers right to repayment upon demand as set forth above, (2) the Company (and the Operating Subsidiary pursuant to the Subsidiary Guaranty) shall remain liable under the Notes in accordance with the terms thereof notwithstanding the escrow contemplated hereby, and (3) Escrow Funds remaining in escrow after no Notes remain outstanding shall be returned to the Company.

7.3. Right of the Purchasers to Participate in Future Transactions. So long as any Notes remain outstanding, the Purchasers will have a right to participate in any sales of any of the Company's securities in a capital raising transaction on the terms and conditions set forth in this Section 7.3, *provided* that this Section 7.3 shall not apply with respect to any capital raising transaction with an effective Per Share Selling Price per share of Common Stock in excess of $1.00 occurring after March 31, 2010 (the securities issued in such transaction being the "New Securities"). Within five (5) business days following each closing of any non-public offer or sale of any of the Company's equity securities or any securities convertible into or exchangeable or exercisable for such securities in a capital raising transaction, the Company shall give written notice to the Purchasers of such transaction together with a comprehensive term sheet containing all significant business terms of such transaction and all transaction documents in connection with such transaction. The Purchasers shall have the right (pro rata in accordance with the Purchasers' participation in this offering), exercisable at any time within the 15-day period following the Purchasers' receipt of such notice and documents, to participate in such transaction by purchasing in such transaction an amount of the identical securities issued in such transaction equal to up to the Participation Percentage of the aggregate amount of such securities issued to the Purchasers and such other investors together for the same consideration and on the same terms and conditions as such third-party sale. If, subsequent to the Company giving notice to a Purchaser hereunder but prior to the Purchaser exercising its rights hereunder, the terms and conditions of the third-party sale are substantively changed from that disclosed in the comprehensive term sheet provided to such Purchaser, the Company shall be required to provide a new notice to the Purchaser hereunder and the Purchasers shall have the right to exercise their rights to purchase the identical securities in such transaction on such changed terms and conditions as provided hereunder. The rights and obligations of this Section 7.3 shall in no way diminish the other rights of the Purchaser pursuant to this Section 7. Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by any Purchaser pursuant to any capital raising transaction as described in this Section 7.3 shall not exceed a number that, when added to the total number of shares of Common Stock deemed beneficially owned by such Purchaser (other than by virtue of the ownership of securities or rights to acquire securities that have limitations on the Purchaser's right to convert, exercise or purchase similar to the limitation set forth herein), together with all shares of Common Stock deemed beneficially owned by the Purchaser's "affiliates" (as defined in Rule 144 of the 1933 Act) that would be aggregated for purposes of determining whether a group under Section 13(d) of the 1934 Act, exists, would exceed 9.9% of the total issued and outstanding shares of the Common Stock.

7.4. No Integration. Neither the Company nor any of its Affiliates, nor any Person acting on its or their behalf, shall directly or indirectly make any offers or sales of any securities or solicit any offers to buy any securities under circumstances that would cause the loss of the 4(2) exemption under the Securities Act for the transactions contemplated hereby. Subject to any consent or approval rights of the Purchasers hereunder, in the event the Company contemplates an offering of its equity or debt securities within six months following the Closing Date, the Company agrees that it shall notify the Purchasers of such offering (without providing any material non-public information to any Purchaser without its prior approval), and upon the reasonable request of Purchasers purchasing at least 75% in principal amount of the Notes hereunder, the Company shall first disclose the terms and conditions and other relevant facts of such proposed transaction to Nasdaq and obtain from Nasdaq its verbal advice (subject to the its review of the executed transaction documents for such transaction) that such transaction should not be integrated with the offering which is the subject of this Agreement for purposes of the Nasdaq rules requiring shareholder approval of the issuance of 20% or more of an issuer's outstanding common stock. In the event the Company fails to obtain such advice, then the Company shall not issue or sell any such securities without the prior written consent of Purchasers purchasing at least 75% in principal amount of the Notes hereunder, provided that the Company may sell or issue securities without such consent if (i) it obtains prior shareholder approval for such sale or issuance in compliance with the Nasdaq Stock Market Manual rules, (ii) such sale or issuance is to a pharmaceutical company or contract medical research organization in connection with a strategic transaction and not primarily as a capital raising transaction, so long as the Company has not affirmatively been notified (orally or in writing) by the staff of the Nasdaq Stock Market that it is reasonably likely to treat such sale or issuance as being integrated with the transactions contemplated under this Agreement, or (iii) none of the Notes are then outstanding, so long as the Company has not affirmatively been notified (orally or in writing) by the staff of the Nasdaq Stock Market that it is reasonably likely to treat such sale or issuance as being integrated with the transactions contemplated under this Agreement. In the event that the transactions contemplated under this Agreement are deemed integrated with any other transaction(s) by the staff of the Nasdaq Stock Market, then the Company shall as soon as possible seek the approval of its stockholders and take such other action to authorize the issuance of the full number of Underlying Shares and the full amount of securities issued and/or to be issued in such other transaction.

7.5. Opinions of Counsel. On or prior to the Closing Date, the Company will deliver to the Purchasers the opinions of legal counsel to the Company substantially in the form and substance reasonably acceptable to the Purchasers.

7.6. Reservation of Common Stock issuable upon Conversion of Notes. The Company hereby agrees at all times to reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of providing for the full conversion of Notes (including payment and repayment of interest and principal thereon), such number of shares of Common Stock as shall from time to time equal the number of shares sufficient to permit the full conversion of Notes (including payment and repayment of interest, accreted amounts and principal thereon) in accordance with the terms of the Notes. All calculations pursuant to this paragraph shall be made without regard to restrictions on beneficial ownership.

7.7. Reports. For so long as the Purchasers beneficially own the Notes, the Company will furnish to the Purchasers the following reports, each of which shall be provided to the Purchasers by air mail or reputable international courier (within one week of filing with the SEC, in the case of SEC filings), to the extent not filed on and available at that time via EDGAR:

(a) Quarterly Reports. As soon as available and in any event within 45 days after the end of each fiscal quarter of the Company, the Company's quarterly report on Form 10-Q or, in the absence of such report, consolidated balance sheets of the Company as at the end of such period and the related consolidated statements of operations, stockholders' equity and cash flows for such period and for the portion of the Company's fiscal year ended on the last day of such quarter, all in reasonable detail and certified by the Company to have been prepared in accordance with generally accepted accounting principles, subject to year-end and audit adjustments.

(b) Annual Reports. As soon as available and in any event within 90 days after the end of each fiscal year of the Company, the Company's Form 10-K or, in the absence of a Form 10-K, consolidated balance sheets of the Company as at the end of such fiscal year and the related consolidated statements of earnings, stockholders' equity and cash flows for such year, all in reasonable detail and accompanied by the report on such consolidated financial statements of an independent certified public accountant selected by the Company and reasonably satisfactory to the Purchaser.

(c) Securities Filings. As promptly as practicable and in any event within five days after the same are issued or filed, copies of (i) all notices, proxy statements, financial statements, reports and documents as the Company shall send or make available generally to its stockholders or to financial analysts, and (ii) all periodic and special reports, documents and registration statements (other than on Form S-8) which the Company furnishes or files, or, to the extent also delivered to the Company, any officer or director of the Company (in such person's capacity as such) furnishes or files with the SEC.

(d) Other Information. Such other information relating to the Company as from time to time may reasonably be requested by any Purchaser provided the Company produces such information in its ordinary course of business, and further provided that the Company, solely in its own discretion, determines that such information is not confidential in nature and disclosure to the Purchaser would not be harmful to the Company or violate any rules or regulations of the SEC or the Nasdaq Stock Market.

7.8. Press Releases. Any press release or other publicity concerning this Agreement or the transactions contemplated by this Agreement shall be submitted to the Purchasers for comment at least two (2) business days prior to issuance, unless the release is required to be issued within a shorter period of time by law or pursuant to the rules of the NASDAQ Stock Market or a national securities exchange. The Company shall issue a press release concerning the fact and material terms of this Agreement within one business day of the Closing.

7.9. No Conflicting Agreements. The Company will not take any action, enter into any agreement or make any commitment that would conflict or interfere in any material respect with the obligations to the Purchasers under the Agreements.

7.10. Insurance. For so long as any Purchaser beneficially owns any of the Securities, the Company shall have in full force and effect (a) insurance reasonably believed by the Company to be adequate on all assets and activities, covering property damage and loss of income by fire or other casualty, and (b) insurance reasonably believed to be adequate protection against all liabilities, claims and risks against which it is customary for companies similarly situated as the Company to insure.

7.11. Compliance with Laws. So long as the Purchasers beneficially own any Securities, the Company will use reasonable efforts to comply with all applicable laws, rules, regulations, orders and decrees of all governmental authorities, except to the extent non-compliance (in one instance or in the aggregate) would not have a Material Adverse Effect.

7.12. Listing of Underlying Shares and Related Matters. The Company hereby agrees, promptly following the Closing of the transactions contemplated by this Agreement, to take such action to cause the Underlying Shares to be listed on the Nasdaq Capital Market as promptly as possible following the Closing but no later than the effective date of the registration contemplated by the Registration Rights Agreement. The Company further agrees that if the Company applies to have its Common Stock or other securities traded on any other principal stock exchange or market, it will include in such application the Underlying Shares and will take such other action as is necessary to cause such Common Stock to be so listed. For so long as any Notes remain outstanding, the Company will take all action necessary to continue the listing and trading of its Common Stock on the Nasdaq Stock Market, the New York Stock Exchange or the NYSE Amex (collectively, "Approved Markets"), and the Company will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of such exchange or market, as applicable, to ensure the continued eligibility for trading of the Underlying Shares thereon.

7.13. Corporate Existence. So long as any Notes remain outstanding, the Company shall maintain its corporate existence, except in the event of a merger, consolidation or sale of all or substantially all of the Company's assets, as long as the surviving or successor entity in such transaction (a) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith, regardless of whether or not the Company would have had a sufficient number of shares of Common Stock authorized and available for issuance in order to fulfill its obligations hereunder and effect the conversion (including payment on) in full of all Notes outstanding as of the date of such transaction; (b) has no legal, contractual or other restrictions on its ability to perform the obligations of the Company hereunder and under the agreements and instruments entered into in connection herewith; and (c)(i) is a publicly traded corporation whose common stock and the shares of capital stock issuable upon conversion of the Notes are (or would be upon issuance thereof) listed for trading on an Approved Market or (ii) if not such a publicly traded corporation, then the buyer agrees that it will, at the election of the Purchasers, purchase such Purchasers' Securities at a price equal to the greater of (a) 110% of the Purchase Price of such Securities or (b) the fair market value of such Securities on an as-converted basis based on the closing price immediately preceding such transaction or the redemption date, whichever is greater.

7.14. [Intentionally Omitted.]

7.15. Overall Limit on Common Stock Issuable. Notwithstanding anything herein or in the Notes to the contrary, the Company may not issue, upon conversion of the Notes, more than 14,524,000 shares of Common Stock (the "**Issuable Maximum**") in the aggregate (such figure to be appropriately and equitably adjusted for any stock splits and similar events). Each Holder of Notes shall be entitled to a portion of the Issuable Maximum equal to the quotient obtained by dividing (x) the aggregate principal amount of the Notes issued and sold to such Holder by (y) the aggregate principal amount of all Notes issued and sold by the Company. If any Holder shall no longer hold any Notes, then such Holder's remaining portion of the Issuable Maximum, if any, shall be reallocated pro-rata among the remaining Holders.

8 . Survival. All representations, warranties, covenants and agreements contained in this Agreement shall be deemed to be representations, warranties, covenants and agreements as of the date hereof and shall survive the execution and delivery of this Agreement and terminate upon expiration of the applicable statute of limitations.

9. Miscellaneous.

9.1. Successors and Assigns. This Agreement may not be assigned by a party hereto without the prior written consent of the other parties hereto which consent may not be unreasonably withheld or delayed, except that without the prior written consent of the Company, but after notice duly given, a Purchaser may assign its rights and delegate its duties hereunder in whole or in part to an Affiliate or to any Person to which such Purchaser has transferred or assigned all or part of its Notes in accordance with the terms of the Notes, provided in each case that such Affiliate, transferee or assignee acknowledges in writing to the Company that the representations and warranties contained in Section 5 hereof shall apply to such Affiliate, transferee or assignee. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

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

9.3. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.4. Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given only by delivery to each party to be notified by (i) personal delivery, (ii) facsimile, provided it is sent with electronic confirmation of complete transmittal, or (iii) an internationally recognized overnight air courier, addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

NexMed, Inc.
6330 Nancy Ridge Drive
San Diego, CA 92121
Fax: (858) 866-0482
Attention: Chief Financial Officer

With a copy to:

Goodwin Procter LLP
Three Embarcadero Center, 24th Floor
San Francisco CA 94111
Fax: 415.677.9041
Attention: Ryan A. Murr, Esq.

If to the Purchasers, to the addresses set forth on the signature pages hereto, with a copy to:

Peter J. Weisman, P.C.
767 Third Avenue, 6th Floor
New York, NY 10017
Telephone: 212-676-5667
Facsimile: 212-676-5665
Email: pweisman@pweisman.com

Any notice or other communication or deliveries hereunder shall be deemed delivered (i) upon receipt, if delivered personally, (ii) if sent by facsimile, upon receipt if received on a Business Day prior to 5:00 p.m. (Eastern Time), or on the first Business Day following such receipt if received on a Business Day after 5:00 p.m. (Eastern Time) or (iii) two (2) Business Days following deposit with an internationally recognized overnight courier service.

9.5. Expenses.

(a) The parties hereto shall pay their own costs and expenses in connection herewith, except that the Company shall pay to Tail Wind Advisory and Management Ltd. ("TWAM") a non-refundable sum equal to $10,000 as and for legal and due diligence expenses incurred in connection herewith, which shall be paid upon Closing.

(b) The Company shall pay the costs of all title, UCC, judgment, lien and similar searches in connection with the Mortgage, and shall pay all title insurance premiums on the Mortgaged Property in connection with Purchasers' title insurance policy (updated through the Closing Date). The Company shall also pay all costs and expenses hereafter incurred in amending, implementing, perfecting, collecting, defending, declaring and enforcing and otherwise relating to the Purchasers' rights and security interests in the Mortgaged Property hereunder or under the Notes or any other instrument or agreement delivered in connection herewith or therewith, including, but not limited to, searches and filings after the date hereof (provided that the Company shall not be responsible for any costs and expenses incurred by the Purchasers in connection with the negotiation, execution and delivery of the Mortgage or any other Agreements, except as may be provided above or elsewhere herein or therein). For clarification, the costs payable by the Company pursuant to this Section 9.5(b) are in addition to the sum payable to TWAM pursuant to Section 9.5(a) above.

9.6. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and 75% in interest of the Purchasers, provided, however, that any such amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Securities purchased under this Agreement at the time outstanding, each future holder of all such securities, and the Company.

9.7. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

9.8. Entire Agreement. This Agreement, including the Exhibits and Schedules hereto, and the Registration Rights Agreement, the Notes, the Mortgage and other documents contemplated hereby constitute the entire agreement among the parties hereof with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

9.9. Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

9.10. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to principles of conflicts of laws.

9.11. Remedies.

(a) The Purchasers shall be entitled to specific performance of the Company's obligations under the Agreements.

(b) The Company on the one hand, and each Purchaser severally and not jointly on the other hand, shall indemnify the other and hold it harmless from any loss, cost, expense or fees (including attorneys' fees and expenses) arising out of any breach of any representation, warranty, covenant or agreement in any of the Agreements, or arising out of the enforcement of this Section 9.11.

9.12. Jurisdiction. The parties hereby agree that all actions or proceedings arising directly or indirectly from or in connection with this Agreement or the other Agreements shall be litigated only in the Supreme Court of the State of New York or the United States District Court for the Southern District of New York located in New York County, New York, except for actions or proceedings arising directly or indirectly from or in connection with the Mortgage, which may be litigated in the applicable court(s) in New Jersey. The parties consent to the jurisdiction and venue of the foregoing courts and consent that any process or notice of motion or other application to either of said courts or a judge thereof may be served inside or outside the State of New York or the Southern District of New York by registered mail, return receipt requested, directed to the party being served at its address set forth in this Agreement (and service so made shall be deemed complete three (3) days after the same has been posted as aforesaid) or by personal service or in such other manner as may be permissible under the rules of said courts. The Company and the Purchasers hereby waive any right to a jury trial in connection with any litigation pursuant to this Agreement or the other Agreements.

9.13. Like Treatment of Purchasers and Holders. Neither the Company nor any of its affiliates shall, directly or indirectly, pay or cause to be paid any consideration (immediate or contingent), whether by way of interest, fee, payment for the redemption, conversion or exercise of the Securities, or otherwise, to any Purchaser or holder of Securities, for or as an inducement to, or in connection with the solicitation of, any consent, waiver or amendment of any terms or provisions of the Agreements, unless such consideration is required to be paid to all Purchasers or holders of Securities bound by such consent, waiver or amendment. The Company shall not, directly or indirectly, redeem any Securities unless such offer of redemption is made pro rata to all Purchasers or holders of Securities, as the case may be, on identical terms. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

9.14. Actions of Purchasers. The obligations of each Purchaser hereunder and under the documents contemplated hereby are several and not joint with the obligations of any other Purchaser, and no Purchaser shall in any way be responsible for the performance of the obligations of any other Purchaser under any such document. Nothing contained herein or in any other document contemplated hereby, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute any of the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated hereby or thereby. Each Purchaser confirms that it has independently participated in the negotiation of the transaction contemplated hereby with the advice of its own counsel and advisors. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of any other document contemplated hereby, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Notwithstanding anything herein to the contrary, the actions and obligations of the Purchasers hereunder shall at all times be considered several and not joint, and the Purchasers are not, under any circumstances, agreeing to act jointly with respect to the Securities or any of their actions or obligations under the Agreements, and shall not constitute a "group" under the 1934 Act. Each Purchaser acknowledges that no other Purchaser has acted as agent for such Purchaser in connection with making its investment hereunder and that no other Purchaser will be acting as agent of such Purchaser in connection with monitoring its investment hereunder. Each Purchaser shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement or out of the other Agreements, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. The Company has elected to provide all Purchasers with the same terms and Agreements for the convenience of the Company and not because it was required or requested to do so by the Purchasers.

9.15. Collateral Agent. The Purchasers hereby appoint (or confirm the continued appointment of) The Tail Wind Fund Ltd. as "Collateral Agent" under the Mortgage. The Collateral Agent may be removed, and a successor Collateral Agent may be appointed, by a majority-in-interest of holders of the Notes, and any Collateral Agent may resign from such position upon thirty days prior notice to the Company (which shall constitute notice to the Operating Subsidiary) and the holders of Notes. If a successor Collateral Agent does not take such position within 30 days after the retiring Collateral Agent resigns or is removed, the retiring Collateral Agent or a majority-in-interest of the holders of the Notes may petition any court of competent jurisdiction for the appointment of a successor Collateral Agent. The Collateral Agent will act or refrain from acting based on the direction of a majority-in-interest of holders of the Notes, and may take any action or refrain from taking any action as provided in the Mortgage as it shall determine in its reasonable judgment and discretion. With respect to any monies or property held by, or expended by, the Collateral Agent on behalf of the holders of the Notes, such amounts shall be allocated pro rata based on the principal amount of Notes outstanding. The Collateral Agent shall be reimbursed by the holders of Notes for all reasonable expenses incurred in connection with acting as Collateral Agent under the Mortgage (provided that this shall in no way affect any liability of the Operating Subsidiary or the Company under the Mortgage). The Collateral Agent may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense. No implied covenants or obligations shall be read into this Agreement or the Mortgage against Collateral Agent. Except for Collateral Agent's own willful misconduct, bad faith or gross negligence, the Collateral Agent (i) may rely and/or act upon any written instrument, document or request believed by the Collateral Agent in good faith to be genuine and to be executed and delivered by the proper person(s), and may assume in good faith the authenticity, validity and effectiveness thereof and shall not be obligated to make any investigation or determination as to the truth and accuracy of any information contained therein, and (ii) shall not be responsible for the acts or omissions of the other parties hereto or holders of Notes. In consideration of its acceptance of the appointment as the Collateral Agent, each of the Purchasers (and any subsequent holder of the Notes) jointly and severally agree to indemnify the Collateral Agent against, and hold the Collateral Agent harmless from, all costs, damages, expenses (including reasonable attorney's fees and disbursements) and liabilities that the Collateral Agent may incur or sustain in connection with serving as Collateral Agent under the Mortgage, unless such costs, damages, expenses and liabilities are caused by the Collateral Agent's own willful misconduct, bad faith or gross negligence.

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

The Company:

NEXMED, INC.

By: /s/ Vivian Liu
Name: Vivian Liu
Title: Executive Vice President

The Purchasers:

THE TAIL WIND FUND LTD.
By: TAIL WIND ADVISORY AND
MANAGEMENT LTD., as
investment manager

By: /s/ David Crook
Name: David Crook
Title: CEO

Principal Amount of Notes/ Aggregate Purchase Price: $3,400,000

Resident: BVI

Address for Notices:

The Tail Wind Fund Ltd.
c/o Tail Wind Advisory and Management Ltd.
Attn: David Crook
77 Long Acre
London WC2E 9LB UK
Facsimile: 44-207- 420 3819
Email: dcrook@tailwindam.com

with a copy to:

Peter J. Weisman, P.C.
767 Third Avenue, 6th Floor
New York, NY 10017
Telephone: 212-676-5667
Facsimile: 212-676-5665
Email: pweisman@pweisman.com

SOLOMON STRATEGIC HOLDINGS, INC.

By: /s/ Andrew P. MacKellar
Name: Andrew P. MacKellar
Title: Director

Principal Amount of Notes/ Aggregate Purchase Price: $300,000

Resident: BVI

Address for Notices:

Solomon Strategic Holdings, Inc.
c/o Andrew P. MacKellar (Director)
Greenlands
The Red Gap
Castletown
IM9 1HB
British Isles
Telephone: +011 (44) 1624 824171
Facsimile: +011 (44) 1624 824191

with a copy to:

Peter J. Weisman, P.C.
767 Third Avenue, 6th Floor
New York, NY 10017
Telephone: 212-676-5667
Facsimile: 212-676-5665
Email: pweisman@pweisman.com

TAIL WIND ADVISORY AND MANAGEMENT LTD.

By: /s/ David Crook
Name: David Crook
Title: CEO

Principal Amount of Notes/ Aggregate Purchase Price: $300,000

Resident: UK

Address for Notices:

Tail Wind Advisory and Management Ltd.
Attn: David Crook
77 Long Acre
London WC2E 9LB UK
Facsimile: 44-207- 420 3819
Email: dcrook@tailwindam.com

with a copy to:

Peter J. Weisman, P.C.
767 Third Avenue, 6th Floor
New York, NY 10017
Telephone: 212-676-5667
Facsimile: 212-676-5665
Email: pweisman@pweisman.com

SCHEDULE OF INVESTORS

		Purchase Price
The Tail Wind Fund Ltd.	$	3,400,000.00
Solomon Strategic Holdings, Inc.	$	300,000.00
Tail Wind Advisory & Management Ltd.	$	300,000.00
Total	$	4,000,000.00

EXHIBIT 10.45

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "Agreement") is made and entered into as of this 15th day of March, 2010 by and between NexMed, Inc., a Nevada corporation (the "Company"), and the "Purchasers" named in that Purchase Agreement of even date herewith by and between the Company and the Purchasers (the "Purchase Agreement").

The parties hereby agree as follows:

1. Certain Definitions

As used in this Agreement, the following terms shall have the following meanings:

"Common Stock" shall mean the Company's common stock, par value $0.001 per share.

"Investor" and "Investors" shall mean the Purchaser(s) identified in the Purchase Agreement and any transferee of the Purchaser(s) who is a permitted assignee of any Notes or Registrable Securities.

"Notes" shall mean the Company's 7% Convertible Notes Due December 31, 2012 issued and sold to the Purchasers pursuant to the Purchase Agreement.

"Prospectus" shall mean the prospectus included in any Registration Statement, as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and by all other amendments and supplements to the prospectus, including post-effective amendments and all material incorporated by reference in such prospectus.

"Register," "registered" and "registration" refer to a registration made by preparing and filing a registration statement or similar document in compliance with the 1933 Act (as defined below), and the declaration or ordering of effectiveness of such registration statement or document.

"Registrable Securities" shall mean (a) the Underlying Shares (without regard to any limitations on beneficial ownership contained in the Notes) or other securities issued or issuable to each Holder or its permitted transferee or designee (i) upon conversion of the Notes, or (ii) upon any distribution with respect to, any exchange for or any replacement of such Notes or (iii) upon any conversion, exercise or exchange of any securities issued in connection with any such distribution, exchange or replacement; (b) securities issued or issuable upon any stock split, stock dividend, recapitalization or similar event with respect to the foregoing; and (c) any other security issued as a dividend or other distribution with respect to, in exchange for or in replacement of the securities referred to in the preceding clauses.

"Registration Statement" shall mean any registration statement filed under the 1933 Act of the Company that covers the resale of any of the Registrable Securities pursuant to the provisions of this Agreement, amendments and supplements to such Registration Statement, including post-effective amendments, all exhibits and all material incorporated by reference in such Registration Statement.

"SEC" means the U.S. Securities and Exchange Commission.

"1933 Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"1934 Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2. Registration.

(a) Registration Statements. Promptly following the closing of the purchase and sale of the Notes contemplated by the Purchase Agreement (the "Closing Date") (but no later than thirty (30) days after the Closing Date), the Company shall prepare and file with the SEC one Registration Statement on Form S-3 (or, if Form S-3 is not then available to the Company, on such form of registration statement as is then available to effect a registration for resale of the Registrable Securities, subject to the Investor's consent) covering the resale of the Registrable Securities in an amount equal to 130% of the number of shares of Common Stock necessary to permit the conversion in full of the Notes (without regard to any limitations on beneficial ownership contained therein). Such Registration Statement also shall cover, to the extent allowable under the 1933 Act and the Rules promulgated thereunder (including Rule 416), such indeterminate number of additional shares of Common Stock resulting from stock splits, stock dividends or similar transactions with respect to the Registrable Securities. Except for 250,000 shares of Common Stock underlying warrants issued to Southpoint Master Fund LP, no securities shall be included in the Registration Statement other than the Registrable Securities without the consent of the Investors holding a majority of the Registrable Securities (on an as-converted basis), which consent shall not be unreasonably withheld. The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided in accordance with Section 3(c) to the Investor and its counsel prior to its filing or other submission. In the event any Registrable Securities are not covered by the Registration Statement, the Company shall promptly amend such Registration Statement or prepare and file with the SEC a new Registration Statement in accordance with the terms hereof in order to cause such Registrable Securities to be covered by a Registration Statement. If the Registration Statement covering the Registrable Securities is not filed within 30 days following the Closing Date, then the Company will make pro-rata payments to the Purchasers as liquidated damages and not as a penalty, in an amount equal to 2% of the sum of the aggregate principal amount then outstanding under the Notes for each month (or portion thereof) following such 30th day during which such Registration Statement has not yet been filed (such damages not to exceed 36% in aggregate). Each such payment shall be due and payable within five (5) days of the end of each month (or ending portion thereof) until such Registration Statement is so filed. Such payments shall be in partial compensation to the Purchasers, and shall not constitute the Purchasers' exclusive remedy for such events.

(b) Expenses. The Company will pay all expenses associated with each registration, but excluding discounts, commissions, fees of underwriters, selling brokers, dealer managers or similar securities industry professionals.

(c) Effectiveness.

(i) The Company shall use its best efforts to have each Registration Statement declared effective as soon as practicable, but in no event later than the earlier of (a) 120 days following the Closing Date (or the date of the occurrence of additional Registrable Securities, as the case may be) and (b) 5 days following the date on which the SEC notifies the Company or its counsel that the Registration Statement is not subject to any further review. In connection therewith, the Company shall respond to all SEC comments on the Registration Statement and file any amendments to the Registration Statement within 15 business days following any date on which the SEC furnishes comments to, asks questions of, or requests further information from, the Company or its counsel with respect to the Registration Statement or any part thereof or any document incorporated by reference therein. After any Registration Statement is declared effective by the SEC, the Company shall cause such Registration Statement to remain effective in accordance with the terms hereof, subject to permitted suspension of such effectiveness only for Allowed Delays (as defined below). On or prior to the date any Registration Statement is declared effective by the SEC, the Company shall cause the Registrable Securities to be specifically listed or included for quotation on an Approved Market, and maintain such listing and quotation for the Registrable Securities and the Common Stock in general.

(ii) For not more than twenty (20) consecutive Trading Days (as defined in the Notes) and for a total of not more than thirty (30) Trading Days in any twelve (12) consecutive month period, the Company may delay the disclosure of material non-public information concerning the Company, by terminating or suspending effectiveness of any registration contemplated by this Section not containing such information, the disclosure of which at the time is not, in the good faith opinion of the Company, in the best interests of the Company (an "Allowed Delay"); provided, that the Company shall promptly (a) notify the Investor in writing of the existence of (but in no event, without the prior written consent of the Investor, shall the Company disclose to the Investor any of the facts or circumstances regarding) material non-public information giving rise to an Allowed Delay, and (b) advise the Investor in writing to cease all sales under the Registration Statement until the end of the Allowed Delay. The duration of the Registration Period will be extended by the number of days of any and all Allowed Delays.

(d) Underwritten Offering. If any offering pursuant to a Registration Statement pursuant to Section 2(a) hereof involves an underwritten offering, the Company shall have the right to select an investment banker and manager to administer the offering, which investment banker or manager shall be reasonably satisfactory to the Investor.

(e) Registration Defaults. If the Company fails, refuses or is otherwise unable to timely issue Underlying Shares in accordance with the terms of the Notes, or unlegended certificates for the Underlying Shares as required under the Agreements, in each case within ten (10) business days following the Purchaser's written demand for issuance of such Underlying Shares or certificates, then the Company will make pro-rata payments to the Purchasers as liquidated damages and not as a penalty, in an amount equal to 1% of the sum of the aggregate principal amount then outstanding under the Notes for each month (pro rated for partial months) following the Registration Date during which any such events described above occurs and is continuing (the "RRA Default Period") (such damages not to exceed 36% in the aggregate). Each such payment shall be due and payable within five (5) days of the end of each month (or ending portion thereof) of the RRA Default Period until the termination of the RRA Default Period. Such payments shall be in partial compensation to the Purchasers, and shall not constitute the Purchasers' exclusive remedy for such events. The RRA Default Period shall terminate upon delivery of such shares. The amounts payable as liquidated damages pursuant to this paragraph shall be payable in lawful money of the United States.

3. Company Obligations. The Company will use its best efforts to effect the registration of the Registrable Securities in accordance with the terms hereof, and pursuant thereto the Company will, as expeditiously as possible:

(a) use its best efforts to cause such Registration Statement to become effective and to remain continuously effective for a period (the "Registration Period") that will terminate upon the earlier of the date on which all Registrable Securities, covered by such Registration Statement, as amended from time to time (i) have been sold or (ii) become available for resale without registration or limitation pursuant to Rule 144 of the 1933 Act (but not less than one year following the Closing Date).

(b) prepare and file with the SEC such amendments and post-effective amendments to the Registration Statement and the Prospectus as may be necessary to keep the Registration Statement effective for the period specified in Section 3(a) and to comply with the provisions of the 1933 Act and the 1934 Act with respect to the distribution of all Registrable Securities; provided that, at least three (3) days prior to the filing of a Registration Statement or Prospectus, or any amendments or supplements thereto, the Company will furnish to the Investor copies of all documents proposed to be filed;

(c) permit counsel designated by the Investor to review each Registration Statement and all amendments and supplements thereto no fewer than five (5) business days prior to their filing with the SEC and not file any document to which such counsel reasonably objects on the basis that such document contains a material misstatement or omission;

(d) furnish to the Investor and its legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of any Registration Statement and any amendment thereto, each preliminary prospectus and Prospectus and each amendment or supplement thereto, and each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which the Company has sought confidential treatment, and provided that such items shall be redacted prior to delivering to the Investor and its counsel to the extent necessary to avoid disclosure of material non-public information concerning the Company), and (ii) such number of copies of a Prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor;

(e) in the event the Company selects an underwriter for the offering, the Company shall enter into and perform its reasonable obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the underwriter of such offering;

(f) if required by the underwriter, at the request of the Investor, the Company shall furnish, on the date that Registrable Securities, as applicable, are delivered to an underwriter, if any, for sale in connection with the Registration Statement (i) an opinion, dated as of such date, from counsel representing the Company for purposes of such Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, addressed to the underwriter and the Investor and (ii) a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriter and the Investor;

(g) make reasonable effort to prevent the issuance of any stop order or other suspension of effectiveness and, if such order is issued, obtain the withdrawal of any such order at the earliest possible moment;

(h) prior to any public offering of Registrable Securities, use its reasonable best efforts to register or qualify or cooperate with the Investor and its counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions as the Investor reasonably requests in writing and do any and all other reasonable acts or things necessary or advisable to enable the distribution in such jurisdictions of the Registrable Securities covered by the Registration Statement, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, or to become subject to any tax in any such state or jurisdiction where it is not otherwise subject;

(i) cause all Registrable Securities covered by a Registration Statement to be listed on each securities exchange, interdealer quotation system or other market on which similar securities issued by the Company are then quoted or listed;

(j) immediately notify the Investor, at any time when a Prospectus relating to the Registrable Securities is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such holder, promptly prepare and furnish to such holder a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; and

(k) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC under the 1933 Act and the 1934 Act, take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder; and make available to its security holders, as soon as reasonably practicable, but not later than the Availability Date (as defined below), an earnings statement covering a period of at least twelve months, beginning after the effective date of each Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act (for the purpose of this subsection 3(l), "Availability Date" means the 45th day following the end of the fourth fiscal quarter that includes the effective date of such Registration Statement, except that, if such fourth fiscal quarter is the last quarter of the Company's fiscal year, "Availability Date" means the 90th day after the end of such fourth fiscal quarter).

4. Obligations of the Investor.

(a) It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities, that the Investor shall furnish in writing to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities, and shall execute such documents in connection with such registration as the Company may reasonably request. At least fifteen (15) business days prior to the first anticipated filing date of any Registration Statement, the Company shall notify the Investor of the information the Company requires from the Investor if the Investor elects to have any of the Registrable Securities included in the Registration Statement. The Investor shall provide such information to the Company at least ten (10) business days prior to the first anticipated filing date of such Registration Statement if the Investor elects to have any of the Registrable Securities included in the Registration Statement.

(b) The Investor, by its acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement hereunder, unless such Investor has notified the Company in writing of its election to exclude all of its Registrable Securities from the Registration Statement, in which case the Investor shall be deemed to have waived its rights to have Registrable Securities registered under this Agreement, unless the Investor has good cause for such an election.

(c) In the event the Company determines to engage the services of an underwriter, the Investor agrees to enter into and perform its obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the managing underwriter of such offering and take such other actions as are reasonably required in order to expedite or facilitate the dispositions of the Registrable Securities.

(d) The Investor agrees that, upon receipt of any notice from the Company of the happening of any event rendering a Registration Statement no longer effective, the Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities, until the Investor's receipt of the copies of the supplemented or amended prospectus filed with the SEC and declared effective and, if so directed by the Company, the Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in the Investor's possession of the prospectus covering the Registrable Securities, current at the time of receipt of such notice.

(e) The Investor may not participate in any underwritten registration hereunder unless it (i) agrees to sell the Registrable Securities on the basis provided in any underwriting arrangements in usual and customary form entered into by the Company, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, and (iii) agrees to pay its pro rata share of all underwriting discounts and commissions and any expenses in excess of those payable by the Company pursuant to the terms of this Agreement.

5. Indemnification.

(a) Indemnification by Company. The Company agrees to indemnify and hold harmless, to the fullest extent permitted by law the Investor, its officers, directors, stockholders and employees and each person who controls such Investor (within the meaning of the 1933 Act) against all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorney's fees) and expenses imposed on such person caused by (i) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or any preliminary prospectus or any amendment or supplement thereto or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are based upon any information furnished in writing to the Company by such Investor, expressly for use therein, or (ii) any violation by the Company of any federal, state or common law, rule or regulation applicable to the Company in connection with any Registration Statement, Prospectus or any preliminary prospectus, or any amendment or supplement thereto, and shall reimburse in accordance with subparagraph (c) below, each of the foregoing persons for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claims. The foregoing is subject to the condition that, insofar as the foregoing indemnities relate to any untrue statement, alleged untrue statement, omission or alleged omission made in any preliminary prospectus or Prospectus that is eliminated or remedied in any Prospectus or amendment or supplement thereto, the above indemnity obligations of the Company shall not inure to the benefit of any indemnified party if a copy of such corrected Prospectus or amendment or supplement thereto had been made available to such indemnified party and was not sent or given by such indemnified party at or prior to the time such action was required of such indemnified party by the 1933 Act and if delivery of such Prospectus or amendment or supplement thereto would have eliminated (or been a sufficient defense to) any liability of such indemnified party with respect to such statement or omission. Indemnity under this Section 5(a) shall remain in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the permitted transfer of the Registrable Securities.

(b) Indemnification by Holder. In connection with any registration pursuant to the terms of this Agreement, the Investor will furnish to the Company in writing such information as the Company reasonably requests concerning the holders of Registrable Securities or the proposed manner of distribution for use in connection with any Registration Statement or Prospectus and agrees to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors, officers, employees, stockholders and each person who controls the Company (within the meaning of the 1933 Act) against any losses, claims, damages, liabilities and expense (including reasonable attorney's fees) resulting from any untrue statement of a material fact or any omission of a material fact required to be stated in the Registration Statement or Prospectus or preliminary prospectus or amendment or supplement thereto or necessary to make the statements therein not misleading, to the extent, but only to the extent that such untrue statement or omission is contained in any information furnished in writing by such Investor to the Company specifically for inclusion in such Registration Statement or Prospectus or amendment or supplement thereto and that such information was substantially relied upon by the Company in preparation of the Registration Statement or Prospectus or any amendment or supplement thereto. In no event shall the liability of an Investor be greater in amount than the dollar amount of the proceeds (net of all expense paid by such Investor and the amount of any damages such holder has otherwise been required to pay by reason of such untrue statement or omission) received by such Investor upon the sale of the Registrable Securities included in the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (a) the indemnifying party has agreed to pay such fees or expenses, or (b) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (c) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and provided, further, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

(d) Contribution. If for any reason the indemnification provided for in the preceding paragraphs (a) and (b) is unavailable to an indemnified party or insufficient to hold it harmless, other than as expressly specified therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnified party and the indemnifying party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the 1933 Act shall be entitled to contribution from any person not guilty of such fraudulent misrepresentation. In no event shall the contribution obligation of a holder of Registrable Securities be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such holder and the amount of any damages such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission) received by it upon the sale of all the Registrable Securities sold by such indemnified party which were covered by the relevant Registration Statement or Prospectus contained therein.

6. Miscellaneous.

(a) Amendments and Waivers. This Agreement may be amended only by a writing signed by the parties hereto. The Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the Investor.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made as set forth in the Purchase Agreement.

(c) Assignments and Transfers by Investor. This Agreement and all the rights and obligations of the Investor hereunder may not be assigned or transferred to any transferee or assignee except to a holder of any Notes or Registrable Securities which is a permitted assignee pursuant to the assignment provisions of such instruments.

(d) Assignments and Transfers by the Company. This Agreement may not be assigned by the Company without the prior written consent of Investor, except that without the prior written consent of the Investor, but after notice duly given, the Company shall assign its rights and delegate its duties hereunder to any successor-in-interest corporation, and such successor-in-interest shall assume such rights and duties, in the event of a merger or consolidation of the Company with or into another corporation or the sale of all or substantially all of the Company's assets.

(e) Benefits of the Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

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

(g) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(h) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms to the fullest extent permitted by law.

(i) Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(k) Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to principles of conflicts of law.

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

The Company:

NEXMED, INC.

By: /s/ Vivian H. Liu
Name: Vivian H. Liu
Title: Executive Vice President

The Investors:

THE TAIL WIND FUND LTD.
By: TAIL WIND ADVISORY AND MANAGEMENT LTD., as investment manager

By: /s/ David Crook
Name: David Crook
Title: CEO

TAIL WIND ADVISORY AND MANAGEMENT LTD.

By: /s/ David Crook
Name: David Crook
Title: CEO

SOLOMON STRATEGIC HOLDINGS, INC.

By: /s/ Andrew P. MacKellar
Name: Andrew P. MacKellar
Title: Director

EXHIBIT 10.46

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THIS NOTE DOES NOT REQUIRE PHYSICAL SURRENDER OF THE NOTE IN THE EVENT OF A PARTIAL REDEMPTION OR CONVERSION. AS A RESULT, FOLLOWING ANY REDEMPTION OR CONVERSION OF ANY PORTION OF THIS NOTE, THE OUTSTANDING PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE MAY BE LESS THAN THE PRINCIPAL AMOUNT AND ACCRETED AMOUNTS SET FORTH BELOW.

7% CONVERTIBLE NOTE DUE DECEMBER 31, 2012

OF

NEXMED, INC.

Note No.: _____ **Original Principal Amount: $_____**
Issuance Date: March __, 2010 **New York, New York**

This Note ("**Note**") is one of a duly authorized issue of Notes of **NEXMED, INC.**, a corporation duly organized and existing under the laws of the State of Nevada (the "**Company**"), designated as the Company's 7% Convertible Notes Due December 31, 2012 (**"Maturity Date"**) in an aggregate principal amount (when taken together with the original principal amounts of all other Notes) which does not exceed (U.S. $4,000,000.00 (the "**Notes"**).

For Value Received, the Company hereby promises to pay to the order of _____ or its registered assigns or successors-in-interest (**"Holder"**) the principal sum of U.S.$_____, together with all accrued but unpaid accretions thereto, if any, on the Maturity Date, to the extent such principal amount and accretion has not been repaid with or converted into the Company's Common Stock, $0.001 par value per share (the **"Common Stock"**), in accordance with the terms hereof. The unpaid principal balance hereof shall automatically increase daily at the rate of 7% per annum from the date of original issuance hereof (the **"Issuance Date"**) until the same becomes due and payable on the Maturity Date, or such earlier date upon acceleration or by conversion or redemption in accordance with the terms hereof or of the other Agreements. Such principal accretion under this Note shall occur daily commencing on the Issuance Date and shall be computed on the basis of a 360-day year and shall be payable in accordance with Section 2 hereof. Notwithstanding anything contained herein, this Note shall bear interest on the due and unpaid Principal Amount from and after the occurrence and during the continuance of an Event of Default pursuant to Section 5(a), at the rate (the "**Default Rate**") equal to the lower of twenty percent (20%) per annum or the highest rate permitted by law. Unless otherwise agreed or required by applicable law, payments will be applied first to any unpaid collection costs, then to unpaid default interest and Accreted Amounts (as defined below) and fees, and any remaining amount to principal.

All payments of principal (including accreted principal) and default interest on this Note which are not paid in shares of Common Stock as permitted or required hereunder shall be made in lawful money of the United States of America by wire transfer of immediately available funds to such account as the Holder may from time to time designate by written notice in accordance with the provisions of this Note or by Company check. This Note may not be prepaid in whole or in part except as otherwise provided herein or in the other Agreements. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day (as defined below), the same shall instead be due on the next succeeding day which is a Business Day.

The following terms and conditions shall apply to this Note:

Section 1. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Purchase Agreement dated on or about the Issuance Date pursuant to which the Notes were originally issued (the **"Purchase Agreement"**). For purposes hereof the following terms shall have the meanings ascribed to them below:

"***Bankruptcy Event***" means any of the following events: (a) the Company or any subsidiary commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any subsidiary thereof; (b) there is commenced against the Company or any subsidiary any such case or proceeding that is not dismissed within 60 days after commencement; (c) the Company or any subsidiary is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Company or any subsidiary suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 days; (e) the Company or any subsidiary makes a general assignment for the benefit of creditors; (f) the Company or any subsidiary fails to pay, or states that it is unable to pay or is unable to pay, its debts generally as they become due; or (g) the Company or any subsidiary, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the City of New York are authorized or required by law or executive order to remain closed.

"***Change in Control Transaction***" will be deemed to exist if (i) there occurs any consolidation, merger or other business combination of the Company with or into any other corporation or other entity or person (whether or not the Company is the surviving corporation), or any other corporate reorganization or corporate transaction or series of related transactions in which in any of such events the voting stockholders of the Company prior to such event cease to own 50% or more of the voting power, or corresponding voting equity interests, of the surviving corporation after such event (including without limitation any "going private" transaction under Rule 13e-3 promulgated pursuant to the Exchange Act or tender offer by the Company under Rule 13e-4 promulgated pursuant to the Exchange Act for 20% or more of the Company's Common Stock), (ii) any person (as defined in Section 13(d) of the Exchange Act), together with its affiliates and associates (as such terms are defined in Rule 405 under the Securities Act), beneficially owns or is deemed to beneficially own (as described in Rule 13d-3 under the Exchange Act without regard to the 60-day exercise period) in excess of 50% of the Company's voting power, (iii) there is a replacement of more than one-half of the members of the Company's Board of Directors which is not approved by those individuals who are members of the Company's Board of Directors on the date thereof, (iv) in one or a series of related transactions, there is a sale or transfer of all or substantially all of the assets of the Company, determined on a consolidated basis, (v) the Company enters into an agreement providing for an event set forth in (i), (ii), (iii) or (iv) above, or (vi) any of the foregoing occurs with respect to the Company or the Operating Subsidiary.

*"**Conversion Price**"* shall initially equal $0.58 (which Conversion Price shall be subject to adjustment as set forth herein).

"***Convertible Securities***" means any convertible securities, warrants, options or other rights to subscribe for or to purchase or exchange for, shares of Common Stock.

"***Effective Registration***" shall mean (i) the resale of all Underlying Shares is either covered by an effective registration statement in compliance with the Securities Act which registration statement is not subject to any suspension or stop orders or permitted without registration under the Securities Act and without any limitations or restrictions pursuant to Rule 144 promulgated under the Securities Act (provided that independent counsel for the Company furnishes to the Company's transfer agent a written legal opinion confirming such permitted resale under Rule 144, which counsel and form of opinion shall be reasonably acceptable to the Holder); (ii) the resale of such Underlying Shares may be effected either pursuant to a current and deliverable prospectus that is not subject at the time to any blackout or similar circumstance or pursuant to Rule 144 promulgated under the Securities Act without registration and without any limitations or restrictions (provided that independent counsel for the Company furnishes to the Company's transfer agent a written legal opinion confirming such permitted resale under Rule 144, which counsel and form of opinion shall be reasonably acceptable to the Holder); (iii) such Underlying Shares are listed, or approved for listing prior to issuance, on an Approved Market and are not subject to any trading suspension (nor shall trading generally have been suspended on such exchange or market), and the Company shall not have been notified of any pending or threatened proceeding or other action to delist or suspend the Common Stock on the Approved Market on which the Common Stock is then traded or listed; (iv) the requisite number of shares of Common Stock shall have been duly authorized and reserved for issuance as required by the terms of the Agreements; (v) the closing bid price of the Common Stock on the Principal Market shall be at least $1.00; and (vi) none of the Company or any direct or indirect subsidiary of the Company is subject to any Bankruptcy Event.

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

"***Market Price***" shall equal the average of the daily VWAPs over the five (5) consecutive Trading Days immediately preceding the date on which the Market Price is being determined.

"***Per Share Selling Price***" shall include the amount actually paid by third parties for each share of Common Stock in a sale or issuance by the Company. In the event a fee is paid by the Company in connection with such transaction directly or indirectly to such third party or its affiliates, any such fee shall be deducted from the selling price pro rata to all shares sold in the transaction to arrive at the Per Share Selling Price. A sale of shares of Common Stock shall include the sale or issuance of Convertible Securities, and in such circumstances the Per Share Selling Price of the Common Stock covered thereby shall also include the exercise, exchange or conversion price thereof (in addition to the consideration received by the Company upon such sale or issuance less the fee amount as provided above). In case of any such security issued in a Variable Rate Transaction, the Per Share Selling Price shall be deemed to be the lowest conversion or exercise price at which such securities are converted or exercised or might have been converted or exercised, or the lowest adjustment price, as the case may be, over the life of such securities. If shares are issued for a consideration other than cash, the Per Share Selling Price shall be the fair value of such consideration as determined in good faith by independent certified public accountants mutually acceptable to the Company and the Holder. In the event the Company directly or indirectly effectively reduces the conversion, exercise or exchange price for any Convertible Securities which are currently outstanding, then the Per Share Selling Price shall equal such effectively reduced conversion, exercise or exchange price.

"***Principal Amount***" shall refer to the sum of (i) the original principal amount of this Note, (ii) all accrued but unpaid Accreted Amounts hereunder, and (iii) any default payments (including default interest) owing under the Agreements but not previously paid or added to the Principal Amount.

"Principal Market" shall mean the NASDAQ Capital Market or such other principal market or exchange on which the Common Stock is then listed for trading.

"***Securities Act***" shall mean the Securities Act of 1933, as amended.

"***Stock Payment Price***" on any particular day shall mean the lesser of (a) 95% of the Market Price as of such day, or (b) the Market Price as of such day less $0.08.

"Trading Day" shall mean a day on which there is trading on the Principal Market.

*"**VWAP**"* shall mean the daily dollar volume-weighted average sale price for the Common Stock on the Principal Market on any particular Trading Day during the period beginning at 9:30 a.m., New York City Time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00 p.m., New York City Time (or such other time as the Principal Market publicly announces is the official close of trading), as reported by Bloomberg through its "Volume at Price" functions or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30 a.m., New York City Time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00 p.m., New York City Time (or such other time as the Principal Market publicly announces is the official close of trading), as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by the National Quotation Bureau, Inc. If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the holders of at least a majority of the principal amount of the Notes then outstanding. All such determinations of VWAP shall to be appropriately and equitably adjusted in accordance with the provisions set forth herein for any stock dividend, stock split, stock combination or other similar transaction occurring during any period used to determine the Market Price (or other period utilizing VWAPs).

Section 2. Accretion.

(a) *Payment Dates*. On the first day of each calendar quarter after the Issuance Date beginning on April 1, 2010 (each an "**Accretion Payment Date**"), the Company shall either pay in cash the dollar amount accrued and accreted to the principal amount hereunder since the prior Accretion Payment Date (or Issuance Date if no such Accretion Payment Date has yet to occur) ("**Accreted Amount**") or effect the automatic conversion of such Accreted Amount as provided in this Section 2.

(b) *Payment or Automatic Conversion*. Subject to the terms hereof, the Company shall either (i) pay the Accreted Amount in full in cash on each Accretion Payment Date or (ii) effect an automatic conversion of such Accreted Amount into shares of Common Stock in accordance with the terms hereof, but not both, at the Company's option. Prior to each Accretion Payment Date the Company shall deliver to all the holders of Notes a written irrevocable notice electing to pay such Accreted Amount in cash or effect such automatic conversion on such Accretion Payment Date. Such notice shall be delivered at least five (5) Trading Days prior to the applicable Accretion Payment Date but no more than twenty (20) days prior to such Accretion Payment Date. If such notice is not delivered within the prescribed period set forth in the preceding sentence, then the Accreted Amount shall be paid in cash. If the Company elects to pay any Accreted Amount in cash on an Accretion Payment Date, then on such date the Company shall pay to the Holder an amount equal to the Accreted Amount due in satisfaction of such obligation. If the Company elects to effect an automatic conversion of such Accreted Amount into shares of Common Stock, the number of such shares to be issued for such Accretion Payment Date shall be the number determined by dividing (x) the Accreted Amount due, by (y) the Stock Payment Price as of such Accretion Payment Date. Such shares shall be issued and delivered within three (3) Trading Days following such Accretion Payment Date and shall be duly authorized, validly issued, fully paid, non-assessable and free and clear of all encumbrances, restrictions and legends. If any Holder does not receive the requisite number of shares of Common Stock in the form required above within such three Trading Day period, the Holder shall have the option of either (a) requiring the Company to issue and deliver all or a portion of such shares or (b) canceling such election to effect such automatic conversion of the Accreted Amount (in whole or in part), in which case the Company shall immediately pay in cash the Accreted Amount due hereunder or such portion as the Holder specifies is to be paid in cash instead of being converted. Except as otherwise provided in this Section 2, all holders of Notes must be treated equally with respect to such payment and conversion of Accreted Amounts. Any conversion of the Accreted Amount hereunder into shares of Common Stock pursuant to the terms hereof shall constitute and be deemed a conversion of such portion of the Principal Amount of this Note for all purposes under this Note and the other Agreements (except that such conversion shall be at the Stock Payment Price and except as otherwise provided herein).

(c) *Limitations to Automatic Conversion into Common Stock*. Notwithstanding anything to the contrary herein, the Company shall be prohibited from exercising its right to effect an automatic conversion of any Accreted Amount hereunder (and must deliver cash in respect thereof) on the applicable Accretion Payment Date (1) if at any time within ten (10) Trading Days prior to the Accretion Payment Date there fails to exist Effective Registration or an Event of Default hereunder exists or occurs, unless otherwise waived in writing by the Holder in whole or in part at the Holder's option, (2) if the Company's net cash on hand (including cash equivalents) as of such Accretion Payment Date is greater than $3 million (any conversion election by the Company under this Section 2 shall constitute a representation by the Company that such net cash amount is below $3 million), and (3) to the extent, and only to the extent, that such conversion into shares of Common Stock would result in the Holder hereof exceeding the limitations contained in Section 3(i) below.

Section 3. Conversion.

(a) Conversion Right. Subject to the terms hereof and restrictions and limitations contained herein and in the Purchase Agreement, the Holder shall have the right, at such Holder's option, at any time and from time to time to convert the outstanding Principal Amount under this Note in whole or in part by delivering to the Company a fully executed notice of conversion in the form of conversion notice attached hereto as Exhibit A (the **"Conversion Notice"**), which may be transmitted by facsimile. Notwithstanding anything to the contrary herein, this Note and the outstanding Principal Amount hereunder shall not be convertible into Common Stock to the extent that such conversion would result in the Holder hereof exceeding the limitations contained in, or otherwise violating the provisions of, Section 3(i) below.

(b) Common Stock Issuance Upon Conversion.

(i) *Conversion Date Procedures*. Upon conversion of this Note pursuant to Section 3(a) above, the outstanding Principal Amount hereunder shall be converted into such number of fully paid, validly issued and non-assessable shares of Common Stock, free of any liens, claims and encumbrances, as is determined by dividing the outstanding Principal Amount being converted by the then applicable Conversion Price. The date of any Conversion Notice hereunder shall be referred to herein as the **"Conversion Date"**. If a conversion under this Note cannot be effected in full for any reason, or if the Holder is converting less than all of the outstanding Principal Amount hereunder pursuant to a Conversion Notice, the Company shall promptly deliver to the Holder (but no later than five Trading Days after the Conversion Date) a Note for such outstanding Principal Amount as has not been converted if this Note has been surrendered to the Company for partial conversion. The Holder shall not be required to physically surrender this Note to the Company upon any conversion hereunder unless the full outstanding Principal Amount represented by this Note is being converted. The Holder and the Company shall maintain records showing the outstanding Principal Amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon each such conversion.

(i i) *Stock Certificates or DWAC*. The Company will deliver to the Holder not later than three (3) Trading Days after the Conversion Date, a certificate or certificates, which shall be free of restrictive legends and trading restrictions if a registration statement has been declared effective covering the resale of the Underlying Shares or the Underlying Shares are freely tradable under Rule 144 of the Securities Act without restrictions, representing the number of shares of Common Stock being acquired upon the conversion of this Note. In lieu of delivering physical certificates representing the shares of Common Stock issuable upon conversion of this Note, provided the Company's transfer agent is participating in the Depository Trust Company ("**DTC**") Fast Automated Securities Transfer ("**FAST**") program, upon request of the Holder, the Company shall use commercially reasonable efforts to cause its transfer agent to electronically transmit such shares issuable upon conversion to the Holder (or its designee), by crediting the account of the Holder's (or such designee's) prime broker with DTC through its Deposit Withdrawal Agent Commission system (provided that the same time periods herein as for stock certificates shall apply). If in the case of any conversion hereunder, such certificate or certificates are not delivered to or as directed by the Holder by the fifth Trading Day after the Conversion Date, the Holder shall be entitled by written notice to the Company at any time on or before its receipt of such certificate or certificates thereafter, to rescind such conversion, in which event the Company shall immediately return this Note tendered for conversion. If the conversion has not been rescinded in accordance with the previous sentence and the Company fails to deliver to the Holder such certificate or certificates (or shares through DTC) pursuant to this Section 3(b) (free of any restrictions on transfer or legends, if such shares have been registered) in accordance herewith, prior to the seventh Trading Day after the Conversion Date, the Company shall pay to the Holder, in cash, an amount equal to 2% of the Principal Amount per month until such delivery takes place (pro rated for partial months).

(c) Conversion Price Adjustments.

(i) *Stock Dividends, Splits and Combinations*. If the Company or any of its subsidiaries, at any time while the Notes are outstanding (A) shall pay a stock dividend or otherwise make a distribution or distributions on any equity securities (including instruments or securities convertible into or exchangeable for such equity securities) in shares of Common Stock, (B) subdivide outstanding Common Stock into a larger number of shares, or (C) combine outstanding Common Stock into a smaller number of shares, then each Affected Conversion Price (as defined below) shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding before such event and the denominator of which shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 3(c)(i) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

As used in this Note, the Affected Conversion Prices (each an **"Affected Conversion Price"**) shall refer to: (i) the Conversion Price; and (ii) each reported VWAP occurring on any Trading Day included in the period used for determining the Market Price, which Trading Day occurred before the record date in the case of events referred to in clause (A) of this subparagraph 3(c)(i) and before the effective date in the case of the events referred to in clauses (B) and (C) of this subparagraph 3(c)(i).

(ii) *Distributions*. If the Company or any of its subsidiaries, at any time while the Notes are outstanding, shall distribute to all holders of Common Stock evidences of its indebtedness or assets or cash or rights or warrants to subscribe for or purchase any security of the Company or any of its subsidiaries (excluding those referred to in Section 3(c)(i) above), then concurrently with such distributions to holders of Common Stock, the Company shall distribute to holders of the Notes the amount of such indebtedness, assets, cash or rights or warrants which the holders of Notes would have received had all their Notes then held been converted into Common Stock at the applicable Conversion Price immediately prior to the record date for such distribution.

(iii) *Common Stock Issuances*. In the event that the Company or any of its subsidiaries (A) issues or sells any Common Stock or Convertible Securities or (B) directly or indirectly effectively reduces the conversion, exercise or exchange price for any Convertible Securities which are currently outstanding, at or to an effective Per Share Selling Price which is less than the Conversion Price, then in each such case the Conversion Price in effect immediately prior to such issue or sale or record date, as applicable, shall be automatically reduced effective concurrently with such issue or sale to an amount determined by multiplying the Conversion Price then in effect by a fraction, (x) the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such issue or sale, plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for such additional shares would purchase at such Conversion Price and (y) the denominator of which shall be the number of shares of Common Stock of the Company outstanding immediately after such issue or sale. The foregoing provision shall not apply to any issuances or sales of Common Stock or Convertible Securities (i) pursuant to any Convertible Securities currently outstanding on the date hereof in accordance with the terms of such Convertible Securities in effect on the date hereof, (ii) pursuant to the Notes, (iii) to any officer, director, employee or Consultant (as defined below) of the Company pursuant to a bona fide option or equity incentive plan duly adopted by the Company, provided that any such issuances or sales to Consultants must be reasonable consideration for the services rendered by such Consultants and shall not exceed more than $1 million in market value to all Consultants in the aggregate under any circumstances, or (iv) made in connection with mergers, acquisitions, licenses or other similar strategic transactions, provided any such issuance shall only be made in connection with a transaction involving a Person which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the Company and in which the Company receives substantial benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities. "Consultant" shall mean any natural person providing bona fide services to the Company which are not in connection with the offer or sale of securities in a capital raising transaction and which do not directly or indirectly promote or maintain a market for the Company's securities. The Company shall give to the Holder written notice of any such sale of Common Stock within 24 hours of the closing of any such sale and shall within such 24 hour period issue a press release announcing such sale if such sale is a material event for, or otherwise material to, the Company.

(iv) *Rounding of Adjustments*. All calculations under this Section 3 or Section 2 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(v) *Notice of Adjustments*. Whenever any Affected Conversion Price is adjusted pursuant to Section 3(c)(i), (ii) or (iii) above, the Company shall promptly deliver to each holder of the Notes, a notice setting forth the Affected Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, provided that any failure to so provide such notice shall not affect the automatic adjustment hereunder.

(vi) *Change in Control Transactions.* In case of any Change in Control Transaction, the Holder shall have the right thereafter to, at its option, (A) convert this Note, in whole or in part, at the then applicable Conversion Price into the shares of stock and other securities, cash and/or property receivable upon or deemed to be held by holders of Common Stock following such Change in Control Transaction, and the Holder shall be entitled upon such event to receive such amount of securities, cash or property as the shares of the Common Stock of the Company into which this Note could have been converted immediately prior to such Change in Control Transaction would have been entitled if such conversion were permitted, subject to such further applicable adjustments set forth in this Section 3 or (B) require the Company or its successor to redeem this Note, in whole or in part, at a redemption price equal to 110% of the outstanding Principal Amount being redeemed. The terms of any such Change in Control Transaction shall include such terms so as to continue to give to the Holders the right to receive the amount of securities, cash and/or property upon any conversion or redemption following such Change in Control Transaction to which a holder of the number of shares of Common Stock deliverable upon such conversion would have been entitled in such Change in Control Transaction, and default interest and Accreted Amounts payable hereunder shall be in cash or such new securities and/or property, at the Holder's option. This provision shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

(vii) *Notice of Certain Events.* If:

A. the Company shall declare a dividend (or any other distribution) on its Common Stock; or

B. the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock; or

C. the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; or

D. the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock of the Company, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share of exchange whereby the Common Stock is converted into other securities, cash or property; or

E. the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be mailed to the Holder at its last address as it shall appear upon the books of the Company, on or prior to the date notice to the Company's stockholders generally is given, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange.

(d) Reservation and Issuance of Underlying Securities. The Company covenants that it will thereafter at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of this Note (including repayments in stock), free from preemptive rights or any other actual contingent purchase rights of persons other than the holders of the Notes, not less than such number of shares of Common Stock as shall (subject to any additional requirements of the Company as to reservation of such shares set forth in the Purchase Agreement) be issuable (taking into account the adjustments under this Section 3 but without regard to any ownership limitations contained herein) upon the conversion of this Note hereunder in Common Stock (including conversion of Accreted Amounts into Common Stock). The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid, nonassessable.

(e) No Fractions. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the closing price of a share of Common Stock at such time. If the Company elects not, or is unable, to make such a cash payment, the Holder shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

(f) Charges, Taxes and Expenses. Issuance of certificates for shares of Common Stock upon the conversion of this Note (including conversion of Accreted Amounts) shall be made without charge to the holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for shares of Common Stock are to be issued in a name other than the name of the Holder, this Note when surrendered for conversion shall be accompanied by an assignment form; and provided further, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any such transfer.

(g) Cancellation. After all of the Principal Amount (including accrued but unpaid interest and Accreted Amounts and default payments at any time owed on this Note) have been paid in full or converted into Common Stock, this Note shall automatically be deemed canceled and the Holder shall promptly surrender the Note to the Company at the Company’s principal executive offices.

(h) Notices Procedures. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Conversion Notice, shall be in writing and delivered personally, by confirmed facsimile, or by a nationally recognized overnight courier service to the Company at the facsimile telephone number or address of the principal place of business of the Company as set forth in the Purchase Agreement. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or by a nationally recognized overnight courier service addressed to the Holder at the facsimile telephone number or address of the Holder appearing on the books of the Company, or if no such facsimile telephone number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed delivered (i) upon receipt, when delivered personally, (ii) when sent by facsimile, upon receipt if received on a Business Day prior to 5:00 p.m. (Eastern Time), or on the first Business Day following such receipt if received on a Business Day after 5:00 p.m. (Eastern Time) or (iii) upon receipt, when deposited with a nationally recognized overnight courier service.

(i) Beneficial Ownership Limitation. Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon conversion pursuant to the terms hereof (including conversion of Accreted Amounts into Common Stock hereunder) shall not exceed a number that, when added to the total number of shares of Common Stock deemed beneficially owned by such Holder (other than by virtue of the ownership of securities or rights to acquire securities (including the Notes) that have limitations on the Holder's right to convert, exercise or purchase similar to the limitation set forth herein), together with all shares of Common Stock deemed beneficially owned at such time (other than by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth herein) by the holder's "affiliates" at such time (as defined in Rule 144 of the Securities Act) ("**Aggregation Parties**") that would be aggregated for purposes of determining whether a group under Section 13(d) of the Exchange Act exists, would exceed 9.9% of the total issued and outstanding shares of the Common Stock (the "**Restricted Ownership Percentage**"). Each holder shall have the right (x) at any time and from time to time to reduce its Restricted Ownership Percentage immediately upon notice to the Company and (y) (subject to waiver) at any time and from time to time, to increase its Restricted Ownership Percentage immediately in the event of the announcement as pending or planned, of a Change in Control Transaction. The Company's obligation to issue shares of Common Stock which would exceed such limits referred to in this Section 3(i) shall be suspended to the extent necessary until such time, if any, as shares of Common Stock may be issued in compliance with such restrictions.

Section 4. Principal Repayments.

(a) Maturity Date.

(i) *Holder Election*. The Holder may elect to have the all or part of the principal balance hereunder remaining outstanding on the Maturity Date, together with all Accreted Amounts accrued thereon through the Maturity Date ("**Maturity Amount**"), repaid on the Maturity Date either in cash or by automatically converting such amount into shares of Common Stock, or a combination thereof, at the Holder's option.

(iii) *Exercise Procedure*. Prior to the Maturity Date the Holder shall deliver a written notice, which may be by email ("**Maturity Election Notice**"), specifying the dollar amount of the Maturity Amount to be converted into Common Stock and the dollar amount of the Maturity Amount to be repaid in cash.

(iii) *Payment/Conversion*. On the Maturity Date, (x) the Company shall pay to the Holder in cash the portion of the Maturity Amount elected to be repaid in cash in the Maturity Election Notice and (y) the portion of the Maturity Amount elected to be converted into stock in the Maturity Election Notice shall be automatically converted into Common Stock in accordance with the terms hereof. If the Holder does not receive the requisite amount of cash in connection with such repayment within three (3) Trading Days following the Maturity Date, such amount shall thereafter bear interest hereunder at the Default Rate. To the extent the Holder elects to make any such repayment by converting all or a portion of the Maturity Amount into shares of Common Stock pursuant to this Section 4(a), the number of such shares to be issued upon such conversion as of the Maturity Date shall be the number determined by dividing (x) the portion of the Maturity Amount to be converted into Common Stock, by (y) the Conversion Price as of the Maturity Date. Such shares shall be issued and delivered within three (3) Trading Days following the Maturity Date and shall be duly authorized, validly issued, fully paid, non-assessable and free and clear of all encumbrances, restrictions and legends. Notwithstanding anything to the contrary herein, the Holder shall be prohibited from exercising its right to convert any portion of the Maturity Amount into shares of Common Stock on the Maturity Date to the extent, and only to the extent, that such conversion into shares of Common Stock would result in the Holder hereof exceeding the limitations contained in Section 3(i) above. Any conversion hereunder into shares of Common Stock pursuant to the terms hereof shall constitute and be deemed a conversion of such portion of the Principal Amount of this Note for all purposes under this Note and the other Agreements.

(b) Defeasement. In the event the Mortgage is defeased as set forth in Section 7.2(c) of the Purchase Agreement, then the Holder may at any time and from time to time thereafter demand immediate repayment of all or part of the amounts (including principal and Accreted Amounts) then outstanding and accrued under this Note.

Section 5. Defaults and Remedies.

(a) Events of Default. An "**Event of Default**" is:

(i) a default in payment of the Principal Amount under any of the Notes on or after the date such payment is due, which default continues for five (5) Business Days after written notice of such non-payment has been received by the Company, or a default in payment of accrued but unpaid Accreted Amounts under any of the Notes on or after the date such payment is due, which default continues for fifteen (15) days after written notice of such non-payment has been received by the Company;

(ii) a default in the timely issuance of Underlying Shares upon and in accordance with terms hereof, which default continues for five (5) Business Days after the Company has received written notice informing the Company that it has failed to issue shares or deliver stock certificates within the third Trading Day following the Conversion Date;

(iii) failure by the Company or the Operating Subsidiary for thirty (30) days after written notice has been received by the Company to comply with any material provision of any of the Notes, the Purchase Agreement, the Subsidiary Guaranty or the Mortgage or any other agreement between the Holder, on the one hand, and the Company and/or the Operating Subsidiary, on the other hand (including without limitation the failure to issue the requisite number of shares of Common Stock upon conversion hereof and the failure to redeem Notes upon the Holder's request following a Change in Control Transaction pursuant to this Note);

(iv) any representation, warranty or statement made or furnished by the Company or any of its subsidiaries to the Holder (or any collateral agent on behalf of the Holder) under the Purchase Agreement, Subsidiary Guaranty, Mortgage or any other agreement between the Holder and the Company or any certificate of schedule required thereby, is false or misleading in any material respect when made;

(v) the Subsidiary Guaranty or Mortgage ceases to be in full force and effect (including failure to create a valid and perfected first priority lien on and security interest in the Mortgaged Property (as defined in the Mortgage) at any time for any reason, or, if the Mortgage is defeased in accordance with Section 7.2(c) of the Purchase Agreement, the Escrow Funds fail to be held in accordance with the terms of such Section and the Escrow Agreement (as such terms are defined in such Section);

(vi) any material adverse change in the condition, value or operation of a material portion of the Mortgaged Property or, if the Mortgage is defeased in accordance with Section 7.2(c) of the Purchase Agreement, any material adverse change in the condition or value or a material portion of the Escrow Funds;

(vii) any acceleration prior to maturity of, any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company or any of its subsidiaries for in excess of $250,000 or for money borrowed the repayment of which is guaranteed by the Company or any of its subsidiaries for in excess of $250,000, whether such indebtedness or guarantee now exists or shall be created hereafter;

(viii) [Reserved];

(ix) the dissolution or termination of the Company or the Operating Subsidiary as a going concern; or

(x) if the Company is subject to any Bankruptcy Event.

(b) Remedies. If an Event of Default occurs and is continuing with respect to any of the Notes, the Holder may declare all of the then outstanding Principal Amount of this Note and all other Notes held by the Holder, including any default interest and Accreted Amounts due thereon, to be due and payable immediately, except that in the case of an Event of Default arising from events described in clauses (ix) through (xi) of Section 5(a), this Note shall become due and payable without further action or notice. In the event of such acceleration, the amount due and owing to the Holder shall be the greater of (1) 120% of the outstanding Principal Amount of the Notes held by the Holder (plus all accrued and unpaid default interest and Accreted Amounts, if any) and (2) the product of (A) the highest closing price for the five (5) Trading Days immediately preceding the Holder's acceleration and (B) the outstanding Principal Amount divided by the Conversion Price. In either case the Company shall pay interest on such amount in cash at the Default Rate to the Holder if such amount is not paid within 7 days of Holder's request. The remedies under this Note shall be cumulative.

Section 6. Security and Guaranty. The Company's and the Operating Subsidiary's obligations under this Note and the other Agreements are secured by Mortgaged Property (as defined in the Mortgage) pursuant to the terms of the Mortgage (or the Escrow Funds (as defined in the Purchase Agreement), if the Mortgage is defeased pursuant to Section 7.2(c) of the Purchase Agreement) and the obligations under this Note are guaranteed by the Operating Subsidiary pursuant to the Subsidiary Guaranty.

Section 7. General.

(a) Payment of Expenses. The Company agrees to pay all reasonable charges and expenses, including attorneys' fees and expenses, which may be incurred by the Holder in successfully enforcing this Note and/or collecting any amount due under this Note. This includes, without limitation and subject to any limits under applicable law, Holder's reasonable collection costs under Section 5(b) and Holder's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals and any anticipated post-judgment collection services. If not prohibited by applicable law, the Company also will pay any court costs, in addition to all other sums provided by law.

(b) Savings Clause. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby. In no event shall the amount of interest paid or converted hereunder (which for this purpose shall include all default interest, all Accreted Amounts and all other consideration or charges deemed to be interest) exceed the maximum rate of interest on the unpaid principal balance hereof allowable by applicable law. If any sum is collected in excess of the applicable maximum rate, the excess collected shall be applied to reduce the principal debt. If the interest actually collected hereunder is still in excess of the applicable maximum rate, the interest rate shall be reduced so as not to exceed the maximum allowable under law.

(c) Amendment. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.

(d) Assignment, Etc. The Holder may assign or transfer this Note to any transferee only with the prior written consent of the Company, which may not be unreasonably withheld or delayed, provided that (i) the Holder may assign or transfer this Note to any of such Holder's Affiliates without the consent of the Company and (ii) upon any Event of Default, the Holder may assign or transfer this Note without the consent of the Company, provided in each case that such Affiliate, transferee or assignee acknowledges in writing to the Company that the representations and warranties contained in Section 5 of the Purchase Agreement shall apply to such Affiliate, transferee or assignee. The Holder shall notify the Company of any such assignment or transfer promptly. This Note shall be binding upon the Company and its successors and shall inure to the benefit of the Holder and its successors and permitted assigns.

(e) Waiver.

(i) No failure on the part of the Holder to exercise, and no delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Holder of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy or power hereby granted to the Holder or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Holder from time to time. The release of any party liable under this Note shall not operate to release any other party liable under this Note.

(ii) Except as otherwise provided herein, the Company and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, hereby expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, all other notices whatsoever and bringing of suit and diligence in taking any action to collect amounts called for hereunder, and will be directly and primarily liable for the payment of all sums owing and to be owing hereunder, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amount called for hereunder.

(f) Governing Law; Jurisdiction.

(i) *Governing Law.* THIS NOTE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICTS OF LAWS PROVISIONS THEREOF THAT WOULD OTHERWISE REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

(ii) *Jurisdiction*. The Company irrevocably submits to the exclusive jurisdiction of any State or Federal Court sitting in the State of New York, County of New York, over any suit, action, or proceeding arising out of or relating to this Note. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action, or proceeding brought in such a court and any claim that suit, action, or proceeding has been brought in an inconvenient forum.

The Company agrees that the service of process upon it mailed by certified or registered mail (and service so made shall be deemed complete three days after the same has been posted as aforesaid) or by personal service shall be deemed in every respect effective service of process upon it in any such suit or proceeding. Nothing herein shall affect Holder's right to serve process in any other manner permitted by law. The Company agrees that a final non-appealable judgement in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.

(iii) *NO JURY TRIAL*. THE COMPANY HERETO KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS NOTE.

(g) Replacement Notes. This Note may be exchanged by Holder at any time and from time to time for a Note or Notes with different denominations representing an equal aggregate outstanding Principal Amount, as reasonably requested by Holder, upon surrendering the same. No service charge will be made for such registration or exchange. In the event that Holder notifies the Company that this Note has been lost, stolen or destroyed, a replacement Note identical in all respects to the original Note (except for registration number and Principal Amount, if different than that shown on the original Note), shall be issued to the Holder, provided that the Holder executes and delivers to the Company an agreement reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with this Note.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed on the day and in the year first above written.

NEXMED, INC.

By: _____
Name: Vivian Liu
Title: Executive Vice President

By: _____
Name: Mark Westgate
Title: Vice President and Chief Financial Officer

EXHIBIT A

FORM OF CONVERSION NOTICE

(To be executed by the Holder
in order to convert a Note)

Re: Note (this "Note") issued by NEXMED, INC. to _____ on or about March ___, 2010 in the original principal amount of $_____.

The undersigned hereby elects to convert the aggregate outstanding Principal Amount (as defined in the Note) indicated below of this Note into shares of Common Stock, $0.001 par value per share (the "Common Stock"), of NEXMED, INC. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any. The undersigned represents as of the date hereof that, after giving effect to the conversion of this Note pursuant to this Conversion Notice, the undersigned will not exceed the "Restricted Ownership Percentage" contained in Section 3(i) of this Note.

Conversion information:

_____
Date to Effect Conversion

_____
Aggregate Principal Amount of Note Being Converted

_____
Aggregate Accreted Amount Thereon

_____
Number of Shares of Common Stock to be Issued

_____
Applicable Conversion Price

_____
Signature

_____
Name

_____
Address

EXHIBIT 10.47

NEXMED, INC.
SUBSCRIPTION AGREEMENT
AND INSTRUCTIONS

NO PERSON WILL BE ACCEPTED AS A PURCHASER PRIOR TO A CLOSING OF THE OFFERING. NEXMED, INC. (THE "**COMPANY**") RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, OR TO ALLOT ANY PROSPECTIVE PURCHASER LESS THAN THE AMOUNT SUBSCRIBED FOR BY SUCH PROSPECTIVE PURCHASER. ANY REPRESENTATION TO THE CONTRARY IS UNAUTHORIZED AND MAY NOT BE RELIED UPON.

Please read the Subscription Agreement carefully. In order to subscribe you must:

1. Check the appropriate boxes in the Subscription Agreement on pages 13 and 14.

2. Sign and complete the appropriate signature page to the Subscription Agreement.

3. Sign and complete the Internal Revenue Service Form W-9 or, if applicable, Form W-8BEN (applicable for non-US investors).

4. Sign and complete the enclosed Investor Suitability Questionnaire.

5. Return the above materials along with payment to:

NexMed, Inc.
c/o Goodwin Procter LLP
4365 Executive Drive, 3rd Floor
San Diego, California 92121
Attn: Ryan A. Murr, Esq.
Facsimile: +1 (858) 457-1255

Checks for the amount subscribed (as indicated on the signature page of the Subscription Agreement) should be made payable to "**NexMed, Inc.**" and will be held until closing, at which time they will be cashed by NexMed.

Alternatively, payment can be made by wire transfer to the following client trust account maintained by NexMed's legal counsel Goodwin Procter, LLP, which funds will similarly be distributed to NexMed upon the closing of the transaction:

Citizens Bank
Riverside, R.I.,
ABA#
Swift #
Account name: Goodwin Procter LLP

Account number #
Reference: NexMed, Inc. (attn: Ryan Murr)

The Company will notify investors as to the date and time of any initial closing and/or final closing of the transaction.

6. Each prospective purchaser may be required to provide such additional information as the Company shall reasonably request. In this connection, please note:

(a) A partnership may be required to provide a copy, among other items, of its partnership agreement, as amended, as well as all other documents that authorize the partnership to invest in the Company.

(b) A corporation may be required to provide a copy, among other items, of its Certificate of Incorporation and Bylaws, as amended, in effect, as well as all other documents that authorize the corporation to invest in the Company.

(c) A trust may be required to provide a copy, among other items, of its Declaration of Trust or other governing instrument, as amended, as well as other documents that authorize the trust to invest in the Company.

NEXMED, INC.

SUBSCRIPTION AGREEMENT

Ladies and Gentlemen:

1 . Subscription; Payment. The undersigned (referred to herein as "**Investor**"), intending to be legally bound under this Subscription Agreement (the "**Agreement**"), hereby irrevocably agrees to purchase from NexMed, Inc., a Nevada corporation (the "**Company**"), this subscription (the "**Subscription**") to purchase the unsecured promissory note of the Company (the "**Note**," and, together with this Agreement, the "**Transaction Agreements**")), in the form attached hereto as Exhibit A, in an aggregate principal amount set forth on the signature page attached hereto (the "**Capital Commitment**").

Investor shall either: (i) enclose herewith a certified or official bank check payable to the Company or (ii) transmit by wire transfer the amount of the Capital Commitment. The Company shall deposit all proceeds received for the Subscription in an account maintained by the Company, pending acceptance of the Subscription.

2 . Acceptance of Subscription; Closing. The Investor understands and agrees that the Company in its sole discretion reserves the right to accept or reject this or any other subscription in whole or in part, notwithstanding prior receipt by Investor of notice of acceptance. If this Subscription is rejected by the Company in whole or in part, the Company shall promptly return all funds received from the Investor without interest or deduction and this Subscription Agreement shall thereafter be of no further force or effect. If the Subscription is accepted in whole or in part, the Company shall notify the Investor of the date(s) of the closing of the purchase and sale of the Notes (each, a "**Closing**"), which Closing shall occur after the close of market at the offices of the Company.

At Closing, the Company shall deliver to the Investor a Note evidencing the Capital Commitment, with the original Note to be delivered promptly following the Closing.

3 . Representations and Warranties of the Company. The Company hereby represents and warrants to the Investor as of the date of Closing as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. The Company has all required corporate power and authority to carry on its business as presently conducted, to enter into and perform the Transaction Agreements and to carry out the transactions contemplated hereby.

(b) The Transaction Agreements are valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other principles of general application, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law. The execution, delivery and performance of the Transaction Agreements executed and delivered by the Company pursuant hereto and the issuance and delivery of the Notes have been duly authorized by all necessary corporate or other action of the Company. When, as and if issued in partial or full payment of amounts due under the Notes, the Company's shares of common stock, par value $0.001 per share, (the "**Shares**") so issued will be duly and validly issued, fully paid and non-assessable and free and clear of all liens and encumbrances, other than restrictions on transfer provided for in the Transaction Agreements or imposed by applicable securities laws, and shall not be subject to preemptive or similar rights.

(c) The execution and delivery of the Transaction Agreements by the Company pursuant hereto, and the issuance and delivery of the Notes, do not and will not: (i) violate, conflict with, or result in a violation of, or constitute or result in a default or loss of any benefit under, any provision of the Amended and Restated Articles of Incorporation (the "**Charter**"), or bylaws of the Company, or cause the creation of any encumbrance upon any of its assets; (ii) violate, conflict with, or result in a violation of, or constitute a default under, any provision of any applicable law, regulation or rule, or any order of, or any restriction imposed by, any court or governmental agency of competent jurisdiction; (iii) require from the Company any notice to, declaration or filing with, or consent or approval of, any governmental authority or other third party; or (iv) violate, conflict with, or result in a violation of, or constitute or result in a default under, accelerate any obligation under, or give rise to a right of termination of, any material contract, agreement, permit, license, authorization or other obligation to which the Company is a party or by which the Company or any of its assets are bound, in each case except as would not be reasonably expected to have a Material Adverse Effect (defined below).

(d) Assuming the accuracy of the representations and warranties of Investor in this Agreement, the Notes and, if applicable, the Shares, will be issued in compliance with all applicable federal and state securities laws.

(e) The Company has filed all reports, schedules, forms, statements and other documents required to be filed by it under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "**Exchange Act**"), including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension, except where the failure to file on a timely basis would not have or reasonably be expected to result in a Material Adverse Effect (as defined below). As of their respective filing dates, or to the extent corrected by a subsequent restatement, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the United Stated Securities and Exchange Commission (the "**Commission**") promulgated thereunder. "**Material Adverse Effect**" means a material adverse effect on the results of operations, assets, prospects, business or financial condition of the Company and its consolidated subsidiaries, taken as a whole, except that any of the following, either alone or in combination, shall not be deemed a Material Adverse Effect: (i) effects caused by changes or circumstances affecting general market conditions in the U.S. economy or which are generally applicable to the industry in which the Company operates, provided that such effects are not borne disproportionately by the Company, (ii) effects resulting from or relating to the announcement or disclosure of the sale of the Notes or other transactions contemplated by this Agreement, or (iii) effects caused by any event, occurrence or condition resulting from or relating to the taking of any action in accordance with this Agreement.

(f) The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing (or to the extent corrected by a subsequent restatement). Such financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("**GAAP**") applied on a consistent basis during the periods involved, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated subsidiaries taken as a whole as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial year-end audit adjustments.

(g) Attached hereto as Exhibit B-1 are the audited consolidated financial statements (including related notes thereto) of Bio-Quant, Inc. ("**Bio-Quant**") and its subsidiaries for the two years ended December 31, 2008 and the unaudited consolidated financial statements (including any related notes thereto) of Bio-Quant for the nine months ended September 30, 2009 (collectively, the "**Bio-Quant Financials**"). On December 14, 2009, the Company acquired Bio-Quant in a merger transaction, the material terms of which are set forth in the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009. Attached hereto as Exhibit B-2 are the unaudited pro forma condensed combined financial statements of the Company, as adjusted to give effect to the acquisition of Bio-Quant for the year ended December 31, 2008, and for the nine months ended and as of September 30, 2009 (the "**Pro Forma Financials**" and, together with the Bio-Quant Financials, the "**Supplemental Financial Information**").

(h) Since the date of the latest audited financial statements included within the SEC Reports and except as set forth in the Supplemental Financial Information or as specifically disclosed herein or in a subsequent SEC Report filed prior to the date hereof, (i) there have been no events, occurrences or developments that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect, (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the SEC, (iii) the Company has not altered materially its method of accounting or the manner in which it keeps its accounting books and records, and (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock (other than in connection with repurchases of unvested stock issued to employees of the Company).

(i) Assuming the accuracy of Investor's representations and warranties set forth in Section 4 of this Agreement and the accuracy of the information disclosed in the Investor Suitability Questionnaire provided by Investor, no registration under the Securities Act is required for the offer and sale of the Notes (and any Shares issuable thereunder) by the Company to Investor under the Transaction Agreements.

4. Representations and Warranties. Investor hereby acknowledges, represents and warrants to, and agrees with, the Company as follows:

(a) Investor understands that the offering and sale of the Notes (and any Shares issuable thereunder) are intended to be exempt from registration under the Securities Act as a private placement of securities by virtue of Section 4(2) of the Securities Act, and in accordance therewith and in furtherance thereof, Investor represents and warrants and agrees as follows:

(i) Investor has been afforded an opportunity to review information relating to the Company, the Company's business and finances, the offering by the Company of the Notes (and any Shares issuable thereunder) and any and all other information deemed relevant by Investor in order to make an informed investment decision regarding the Notes (and any Shares issuable thereunder) (collectively, the "**Information**"), and has reviewed and received such Information and understands the Information and the Transaction Agreements;

(ii) Investor acknowledges that all documents, records and books pertaining to this investment (including, without limitation, the Information) have been made available for inspection by Investor, Investor's attorney, accountant or advisor(s);

(iii) Investor and/or Investor's advisor(s) has/have had a reasonable opportunity to ask questions of and receive answers from a person or persons on behalf of the Company concerning the offering of the Notes (and any Shares issuable thereunder) and all such questions have been answered to the full satisfaction of Investor;

(iv) No oral or written representations have been made other than as stated, or in addition to those stated, in the Information, and no oral or written information furnished to Investor or Investor's advisors in connection with the offering of the Notes (and any Shares issuable thereunder) was in any way inconsistent with the information stated in the Information;

(v) Investor is not subscribing for the Notes (or any Shares issuable thereunder) as a result of or subsequent to any advertisement, article, notice, other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or presented at any seminar or meeting, or any solicitation of a subscription by a person other than a representative of the Company;

(vi) If Investor is a natural person, Investor has reached the age of majority in the jurisdiction in which Investor resides;

(vi) The address set forth below is Investor's true and correct domicile;

(vii) Investor has adequate means of providing for Investor's current financial needs and contingencies, is able to bear the substantial economic risks of the purchase of the Notes (including the potential repayment of the Notes in Shares) for an indefinite period of time, has no need for liquidity in such investment, and, at the present time, could afford a complete loss of such investment;

(ix) Investor has such knowledge and experience in financial, tax and business matters so as to enable Investor to utilize the information made available to Investor in connection with the offering of the Notes (and any Shares issuable thereunder) to evaluate the merits and risks of an investment in the Company and to make an informed investment decision with respect thereto;

(x) Investor is not relying on the Company with respect to the legal, tax and other economic considerations of an investment and has obtained, or had the opportunity to obtain the advice of Investor's own legal, tax and other advisors;

(xi) Investor will not sell or otherwise transfer the Notes (or any Shares issuable thereunder) without registration under the Securities Act or applicable state securities laws or an exemption therefrom. Neither the Notes nor any Shares issuable thereunder have been registered under the Securities Act or under the securities laws of any other jurisdiction. Investor represents that Investor is purchasing the Notes (and any Shares issuable thereunder) for Investor's own account, for investment and not with a view to resale or distribution except in compliance with the Securities Act. Investor has not offered or sold any portion of the Notes being acquired (or any Shares issuable thereunder) nor does Investor have any present intention of selling, distributing or otherwise disposing of any portion of the Notes (or any Shares issuable thereunder), either currently or after the passage of a fixed or determinable period of time or upon the occurrence or nonoccurrence of any predetermined event or circumstance in violation of the Securities Act. Investor is aware that an exemption from the registration requirements of the Securities Act pursuant to Rule 144 promulgated thereunder is not presently available; that the Company has no obligation to register Investor's Notes (or any Shares issuable thereunder) or to make available an exemption from the registration requirements pursuant to such Rule 144 or any successor rule for resale of Investor's Notes (or any Shares issuable thereunder);

(xii) Investor (A) was not organized or reorganized for the specific purpose of acquiring the Notes (or any Shares issuable thereunder), (B) has made investments prior to the date hereof, and each beneficial owner thereof has and will share the same proportion in each investment and (C) Investor's investment in the Company will not constitute more than forty percent (40%) of Investor's total capital;

(xiii) INVESTOR UNDERSTANDS AND ACKNOWLEDGES THAT HIS OR HER INVESTMENT IN THE COMPANY INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL MEANS WHO HAVE NO IMMEDIATE NEED FOR LIQUIDITY OF THE AMOUNT INVESTED, AND THAT SUCH INVESTMENT INVOLVES A RISK OF LOSS OF ALL OR A SUBSTANTIAL PART OF SUCH INVESTMENT; and

(xiv) Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act.

(b) Investor's overall commitment to investments which are not readily marketable is reasonable in relation to Investor's net worth.

(c) Investor hereby agrees to provide such information and to execute and deliver such documents as may reasonably be necessary to comply with any and all laws and ordinances to which the Company is subject, including, without limitation, such additional information as the Company may deem appropriate with regard to Investor's suitability.

(d) Investor acknowledges:

(i) In making an investment decision Investor has relied on Investor's own examination of the Company and the terms of the offering of the Notes (and any Shares issuable thereunder), including the merits and risks involved. THE NOTES (AND ANY SHARES ISSUABLE THEREUNDER) OFFERED IN THIS SUBSCRIPTION AGREEMENT HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION OR THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE;

(ii) Investor, if executing the Transaction Agreements in a representative or fiduciary capacity, has full power and authority to execute and deliver the Transaction Agreements in such capacity and on behalf of the subscribing individual, ward, partnership, trust, estate, corporation, limited liability company or other entity for whom Investor is executing the Transaction Agreements, and such individual, ward, partnership, trust, estate, corporation, limited liability company or other entity has full right and power to perform pursuant to the Transaction Agreements and make an investment in the Company; and

(iii) The representations, warranties, and agreements of Investor contained herein and in any other writing delivered in connection with the transactions contemplated hereby shall be true and correct in all respects on and as of the date of the sale of the Notes as if made on and as of such date and shall survive the execution and delivery of the Transaction Agreements and the purchase of the Notes.

(e) Investor understands that the Notes being offered and sold (and any Shares issuable thereunder) to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Investor's compliance with, the representations, warranties, agreements, acknowledgements and understandings of such Investor set forth herein in order to determine the availability of such exemptions and the eligibility of such Investor to acquire the Notes.

(f) The Investor acknowledges that the Supplemental Financial Information attached hereto is confidential and may constitute material non-public information until such time as this information is publicly disclosed. Investor further acknowledges that he/she has agreed to maintain such information in confidence and to not trade in Company securities on the basis of such information.

5. Conditions to Closing.

(a) The obligation of Investor to acquire Notes at the Closing is subject to the fulfillment of the following, on or prior to the date of Closing of the following (unless waived by Investor):

(i) The representations and warranties of the Company contained in Section 3 herein shall be true and correct in all material respects (except for those representations and warranties which are qualified as to materiality, in which case such representations and warranties shall be true and correct in all respects) as of the date of Closing, as though made on and as of such date, except for such representations and warranties that speak as of a specific date.

(ii) The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Agreements to be performed, satisfied or complied with by it at or prior to the Closing and shall have obtained in a timely fashion any and all consents, permits, approvals, registrations and waivers necessary for consummation of the purchase and sale of the Notes, all of which shall be and remain so long as necessary in full force and effect.

(iii) the Company shall deliver to the Investor:

(1) this Agreement, duly executed by the Company; and

(2) a facsimile copy of the Notes, in the name of the name of Investor as set forth on the signature page hereto, with the original Notes to be delivered as promptly as practicable following the Closing.

(b) On or prior to the Closing, the Investor shall issue, deliver or cause to be delivered to the Company the following:

(i) The representations and warranties of the Investor contained in Section 4 herein shall be true and correct in all material respects (except for those representations and warranties which are qualified as to materiality, in which case such representations and warranties shall be true and correct in all respects) as of the date when made and as of the date of Closing, as though made on and as of such date, except for such representations and warranties that speak as of a specific date.

(i i) Investor shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Agreements to be performed, satisfied or complied with by it at or prior to the Closing and shall have obtained in a timely fashion any and all consents, permits, approvals, registrations and waivers necessary for consummation of the purchase and sale of the Notes, all of which shall be and remain so long as necessary in full force and effect.

(iii) Investor shall deliver to the Company:

(1) this Agreement, duly executed by Investor;

(2) the Capital Commitment, in United States dollars and in immediately available funds, and completed Internal Revenue Service Form W-9 or, if applicable, W-8BEN; and

(3) an executed and completed Investor Suitability Questionnaire, attached hereto as Exhibit C.

6 . Legend of Certificates; Transfer. Each certificate evidencing the Notes and the Shares shall bear the following (or substantially equivalent) legends on the face or reverse side thereof:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE, GIFT, TRANSFER OR OTHER DISPOSITION THEREOF OR OF ANY INTEREST THEREIN SHALL BE VALID OR EFFECTIVE UNLESS AND UNTIL SUCH SECURITIES ARE (I) REGISTERED PURSUANT TO THE PROVISIONS OF SUCH ACT AND REGISTERED OR QUALIFIED UNDER APPLICABLE STATE SECURITIES OR 'BLUE SKY' LAWS OR (II) EXEMPT FROM SUCH REGISTRATION."

Any certificate issued at any time in exchange or substitution for any certificate bearing such legends (except a new certificate issued upon the completion of a public distribution of Shares represented thereby) shall also bear such legends, unless in the opinion of counsel to the Company, the securities represented thereby need no longer be subject to the restrictions contained herein. Investor will not sell or otherwise transfer any Notes or Shares acquired by such Investor except pursuant to registration under the Securities Act or in accordance with an opinion of counsel satisfactory to the Company to the effect that registration under the Securities Act is not required in connection with such transfer. The provisions of this Subscription Agreement shall be binding upon, and shall inure to the benefit of, Investor and all subsequent holders of the Notes or Shares who acquired such Notes or Shares directly or indirectly from Investor in a transaction or series of transactions not involving any public offering.

7 . Indemnification. Investor agrees to indemnify and hold harmless the Company its officers, members, directors, employees, consultants, advisors, attorneys, agents and affiliates against any and all loss, liability, claim, damage and expense whatsoever (including, without limitation, any and all expenses reasonably incurred in investigating, preparing, or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon any false representation or warranty or breach or failure by Investor to comply with any covenant or agreement made by Investor herein or in any other document furnished by Investor to any of the foregoing in connection with this transaction.

8 . Irrevocability; Binding Effect; Entire Agreement. Investor hereby acknowledges and agrees that the Subscription hereunder is irrevocable by Investor, that, except as required by law, Investor is not entitled to cancel, terminate or revoke this Agreement or any agreements of Investor hereunder, and that this Agreement and such other agreements shall survive the death or disability of Investor and shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns. If Investor is more than one person, the obligations of Investor hereunder shall be joint and several and the agreements, representations, warranties and acknowledgments herein contained shall be deemed to be made by and be binding upon each such person and his/her heirs, executors, administrators, successors, legal representatives and permitted assigns. The Transaction Agreements set forth the entire agreement and understanding among the parties hereto with respect to the transactions contemplated hereby and supersedes any and all prior agreements and understandings relating to the subject matter hereof.

9 . Specific Performance. The parties hereto specifically acknowledge that monetary damages are not an adequate remedy for violations of this Agreement, and that any party hereto may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law and to the extent the party seeking such relief would be entitled to the merits to obtain such relief, each party waives any objection to the imposition of such relief.

1 0 . Modification. Neither this Agreement nor any provisions hereof shall be waived, modified, discharged or terminated except by an instrument in writing signed by the party against whom any such waiver, modification, discharge or termination is sought.

1 1 . Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be mailed by registered or certified mail, postage prepaid, or otherwise delivered by facsimile transmission, by hand or by messenger, addressed:

(a) If to the Company, to:

NexMed, Inc.
6330 Nancy Ridge Drive, Suite 103
San Diego, California 92121
Attention: Chief Executive Officer
Facsimile number: (858) 587-2131

or at such other address as the Company shall have furnished to the Investors, with a copy (which shall not constitute notice) to Goodwin Procter LLP, 4365 Executive Drive, 3rd Floor, San Diego, California 92121, Attn.: Ryan Murr.

(b) If to Investor, at the address set forth on the signature page hereof (or, in either case, to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 11).

Each such notice or other communication shall for all purposes of this Agreement be treated as effective or having been given when delivered if delivered personally, if sent by facsimile, the first business day after the date of confirmation that the facsimile has been successfully transmitted to the facsimile number for the party notified, or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid.

12. Assignability. This Agreement and the rights and obligations hereunder are not transferable or assignable by the Investor.

13. Applicable Law; Jurisdiction. This Agreement shall be governed in all respects by the internal laws of the State of California without regard to conflict of laws provisions. The parties hereto (i) designate the courts of the City and County of San Diego, California as the forum where all matters pertaining to this Agreement may be adjudicated, and (ii) by the foregoing designation, consent to the exclusive jurisdiction and venue of such courts for the purpose of adjudicating all matters pertaining to this Agreement.

14. Severability. If any provision of this Agreement is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid and enforceable provision that is a reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

15. Counterparts. This Agreement may be executed by facsimile, in any number of counterparts, each of which shall be an original and all of which together shall constitute one instrument.

16. Nature of Subscriber. Investor is (check one):

☐ (a) One or more individuals

☐ (b) A corporation

☐ (c) A partnership

☐ (d) A trust

☐ (e) Another entity or organization, namely

_____ (please specify)

17. Limitations on Investment in Investment Companies.

If Investor is not an individual, initial the box below that correctly describes the application of the following statement to your situation: Investor would not, upon acquiring the Notes and Shares, have more than ten percent (10%) of its assets invested in one or more investment companies that rely solely on the exclusion from the definition of "investment company" provided in Section 3(c)(1)(A) of the Investment Company Act of 1940:*

☐ True

☐ False

If the "False" box is checked, Investor will as of the Closing have _____ individual stockholders, partners or other record owners and non-individual stockholders, partners or other record owners. Those non-individual stockholders, partners or other record owners to whom application of the above statement would be "False" have an aggregate of _____ ultimate beneficial owners who are either individuals or to whom application of the above statement and the above statement would be "True."

_____

* Section 3(c)(1)(A) provides, in pertinent part:

"[N]one of the following persons is an investment company. . .

(1) Any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons and which is not making and does not presently propose to make a public offering of its securities. For purposes of this paragraph:

(A) Beneficial ownership by a company shall be deemed to be beneficial ownership by one person, except that, if such company owns 10 per centum or more of the outstanding voting securities of the issuer, the beneficial ownership shall be deemed to be that of the holders of such company's outstanding securities (other than short-term paper) unless, as of the date of the most recent acquisition by such company of securities of that issuer, the value of all securities owned by such company of all issuers which are or would, but for the exception set forth in this subparagraph, be excluded from the definition of investment company solely by this paragraph, does not exceed 10 per centum of the value of the company's total assets. . . ."

19. Matters Relating to the Undersigned's Ownership of the Shares.

(a) All correspondence relating to Investor's investment should be sent (check one):

☐ (i) to the address of Investor set forth on the signature page hereof

☐ (ii) to the following address:

_____

_____

_____

(b) Investor may be contacted by telephone at the following telephone numbers:

(i) Home telephone: _____

(ii) Business telephone: _____

(iii) Facsimile telephone: _____

(c) Investor may be contacted by electronic mail at the following email address:

SUBSCRIPTION AGREEMENT SIGNATURE PAGE
FOR INDIVIDUALS

IN WITNESS WHEREOF, the undersigned executed this Agreement this 21 day of January, 2010.

Capital Commitment
(principal amount of Note to be purchased):

$1,500,000

Price per Share for repayment of Note:

0.36¢

Jacob May
Print Name

/s/ Jacob May
Signature of Investor

Social Security / Taxpayer ID Number

Residence Address

If the purchaser has indicated that the Notes will be held as JOINT TENANTS, as TENANTS IN COMMON, or as COMMUNITY PROPERTY, please complete the following:

Print Name of Spouse or Other Purchaser

Signature of Spouse or Other Purchaser

Social Security Number

ACCEPTED AND AGREED:

NEXMED, INC.

By: /s/ Mark Westgate
Name: Mark Westgate
Title: VP & CFO

Dated: January 21, 2010

SUBSCRIPTION AGREEMENT SIGNATURE PAGE
FOR PARTNERSHIPS, CORPORATIONS, TRUSTS, OR OTHER ENTITIES

IN WITNESS WHEREOF, the undersigned has executed this Agreement this 5th day of February, 2010.

Capital Commitment
(principal amount of Note to be purchased):

250,000.00

Price per Share for repayment of Note:

0.40¢

Leon May Trust I.
u/w Mortimer May
Print Name of Partnership, Corporation, Trust
or other Entity

By: /s/ Leon May
(Signature of Authorized Signatory)
Leon May Trust I.

Name: u/w Mortimer May

Title:

Address: _____

Jurisdiction where organized: _____

Taxpayer Identification
Number: _____

Date of Formation: _____

Address of Authorized Officer of Subscriber:

ACCEPTED AND AGREED:

NEXMED, INC.

By: /s/ Mark Westgate
Name: Mark Westgate
Title: V.P. & CFO

Dated: 2/5/10, 2010

SUBSCRIPTION AGREEMENT SIGNATURE PAGE
FOR INDIVIDUALS

IN WITNESS WHEREOF, the undersigned executed this Agreement this 22nd day of January, 2010.

Capital Commitment
(principal amount of Note to be purchased):

$550,000

Price per Share for repayment of Note:

0.40¢

Foun-Chung Fan
Print Name

/s/ Foun-Chung Fan
Signature of Investor

Social Security / Taxpayer ID Number

Residence Address

If the purchaser has indicated that the Notes will be held as JOINT TENANTS, as TENANTS IN COMMON, or as COMMUNITY PROPERTY, please complete the following:

Print Name of Spouse or Other Purchaser

Signature of Spouse or Other Purchaser

Social Security Number

ACCEPTED AND AGREED:

NEXMED, INC.

By: /s/ Mark Westgate
Name: Mark Westgate
Title: VP & CFO

Dated: January 21, 2010

Exhibit A

Form of Note

- CONFIDENTIAL -

NOTE NON-DISCLOSURE AND NON-USE OBLIGATIONS

Exhibit B-1

Historical Bio-Quant Financials

Exhibit B-2

Pro Forma Financials

Exhibit C

Investor Suitability Questionnaire

EXHIBIT 10.48

THIS NOTE AND ANY SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, SUBJECT TO THE TERMS SET FORTH IN THIS NOTE, IN THE OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER OF THIS NOTE AND SUCH SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

NEXMED, INC.

UNSECURED PROMISSORY NOTE

US $_____ Date: February __, 2010

FOR VALUE RECEIVED, the undersigned, NexMed, Inc., a Nevada corporation ("**NexMed**"), promises to pay as provided herein to _____ (the "**Holder**"), in lawful money of the United States of America the principal sum of _____ dollars ($_____), together with interest on such principal sum accruing from and including the date hereof at the rate of ten percent (10%) per annum (which will be computed on the basis of a 365-day year and paid for the actual number of days elapsed). This Promissory Note (this "**Note**") is issued pursuant to that certain Subscription Agreement, dated _____ by and between NexMed and Holder (the "**Subscription Agreement**"). Capitalized terms used but not otherwise defined herein will have the meanings ascribed thereto in the Subscription Agreement.

1. Maturity. Unless the obligation to pay the principal hereunder is previously satisfied as set forth in Section 2 hereof, the principal amount of this Note, plus interest accrued thereon, will be due and payable in full, in the manner set forth in Section 2 herein, on _____[1], (the "**Maturity Date**"). This Note may be prepaid in whole or in part at any time without penalty hereunder.

2. Payment.

(a) On the Maturity Date, the principal amount of this Note, plus interest accrued thereon as provided in this Note up to but not including the Maturity Date, will be paid by NexMed either directly to Holder or through deposit of immediately available funds in the amount of such principal and accrued interest with an escrow agent mutually acceptable to NexMed and Holder (the "**Payment Agent**") for prompt payment by such Payment Agent to the Holder. Upon such payment or deposit to the Payment Agent, as applicable, all obligations under this Note will have been performed and discharged in full.

[1] This date shall be six months from the Closing Date.

(b) Notwithstanding anything to the contrary herein, NexMed may, in its sole discretion and in lieu of making a cash payment as contemplated in Section 2(a), issue to the Holder shares of NexMed common stock, par value $0.001 per share (the "**Note Satisfaction Shares**"), valued at a price of $_____ per share and subject to adjustment as set forth below (the "**Conversion Price**"). In the event NexMed elects to issue Note Satisfaction Shares in full or partial satisfaction of the amounts owed under this Note, NexMed will either deliver the Note Satisfaction Shares to the Holder or to the Payment Agent for prompt disbursement and payment by the Payment Agent to the Holder.

(c) If, at any time before the Maturity Date, the number of shares of NexMed Common Stock outstanding is increased by a stock dividend payable in shares of NexMed Common Stock or by a subdivision or split-up of shares of NexMed Common Stock, then, following the record date fixed for the determination of holders of NexMed Common Stock entitled to receive such stock dividend, subdivision or split-up, the Conversion Price shall be decreased proportionately. If, at any time before the Maturity Date, the number of shares of NexMed Common Stock outstanding is decreased by a combination of the outstanding shares of NexMed Common Stock, then, following the record date for such combination, the Conversion Price shall be increased proportionately.

3. Presentment; Demand. NexMed hereby waives any presentment, demand, protest or notice of dishonor and protest of this Note.

4. Securities Law Compliance; Legend. This Note and any Note Satisfaction Shares are subject to the terms of the Subscription Agreement. The certificates representing Note Satisfaction Shares will bear the following legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO SALE, GIFT, TRANSFER OR OTHER DISPOSITION THEREOF OR OF ANY INTEREST THEREIN SHALL BE VALID OR EFFECTIVE UNLESS AND UNTIL SUCH SECURITIES ARE (I) REGISTERED PURSUANT TO THE PROVISIONS OF SUCH ACT AND REGISTERED OR QUALIFIED UNDER APPLICABLE STATE SECURITIES OR 'BLUE SKY' LAWS OR (II) EXEMPT FROM SUCH REGISTRATION."

5. Miscellaneous.

(a) Governing Law. This Note shall be governed by, and construed in accordance with, the internal laws of the State of California applicable to contracts executed and fully performed within the State of California and without regard to conflict-of-law principles. Any dispute arising out of or relating to this Note shall be resolved by a court of competent jurisdiction located in the City and County of San Diego, California and the parties hereto agree to the sole and exclusive jurisdiction of such court(s) and agree to waive any grounds for objection to the venue, such as *forum non-conveniens*.

(b) Amendments and Waivers. Any term of this Note may be amended and the observance of any term of this Note may be waived only with the written consent of NexMed and the holder of the Note.

(c) Assignment and Successors. This Note will be binding on and inure to the benefit of NexMed and the Holder and their respective successors and assigns; provided, however, that the Holder may not assign this Note in whole or part on or prior to the Maturity Date without the prior written consent of NexMed.

(d) Severability. If any provision of this Note is held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Note are not affected or impaired in any way and NexMed and the Holder agree to negotiate in good faith to replace such invalid, illegal and unenforceable provision with a valid, legal and enforceable provision, that achieves, to the greatest lawful extent under this Note, the economic, business and other purposes of such invalid, illegal or unenforceable provision.

(e) Limitation of Liability. IN NO EVENT WILL NEXMED HAVE ANY LIABILITY ARISING HEREUNDER OR IN CONNECTION HEREWITH TO ANY PARTY OR OTHER PERSON FOR ANY LOST PROFITS OR OTHER CONSEQUENTIAL, SPECIAL, INCIDENTAL, INDIRECT, COLLATERAL OR PUNITIVE DAMAGES OF ANY KIND, REGARDLESS OF WHETHER SUCH PARTY OR PERSON WILL BE ADVISED, WILL HAVE OTHER REASON TO KNOW, OR IN FACT WILL KNOW OF THE POSSIBILITY OF THE FOREGOING.

In Witness Whereof, the undersigned has executed this Promissory Note as of the date set forth above.

NexMed, Inc., a Nevada corporation

By: _____

Name: _____

Title: _____

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.
3. NexMed International Limited, incorporated in the British Virgin Islands on August 2, 1996.
4. Bio-Quant, Inc., incorporated in Utah on May 8, 1995

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (Nos. 333-148060, 333-107137, 333-122114, 333-117717, 333-125565, 333-140110, 333-152591, 333-132611, 333-111894, 333-1055509, 333-96813, 333-46976, and 333-91957) and Form S-8 (Nos. 333-152284, 333-138598, and 333-93435) of our report dated March 31, 2010, with respect to the consolidated financial statements, schedule, of NexMed, Inc. and Subsidiaries included in the Annual Report on Form 10-K for the year ended December 31, 2009. Such report includes an uncertainty paragraph with respect to the ability of Nexmed, Inc. to continue as a going concern.

/s/ Amper, Politziner & Mattia, LLP

Date: March 31, 2010
Edison, New Jersey

Exhibit 31.1

CERTIFICATION

I, Bassam Damaj, certify that:

1. I have reviewed this Annual Report on Form 10-K of NexMed, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2010.

/s/ Bassam Damaj
Bassam Damaj
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark Westgate, certify that:

1. I have reviewed this Annual Report on Form 10-K of NexMed, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter, that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2010.

/s/ Mark Westgate
Mark Westgate
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Bassam Damaj, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of NexMed, Inc. on Form 10-K for the year ended December 31, 2009, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on 10-K fairly presents in all material respects the financial condition and results of operations of NexMed, Inc.

Date: March 31, 2010.

By: /s/ Bassam Damaj
Name: Bassam Damaj
Title: Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Westgate, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of NexMed, Inc. on Form 10-K for the year ended December 31, 2009, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on 10-K fairly presents in all material respects the financial condition and results of operations of NexMed, Inc.

Date: March 31, 2010.

By: /s/ Mark Westgate
Name: Mark Westgate
Title: Chief Financial Officer