

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 28, 2009

Manhattan Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-32639

(Commission File Number)

36-3898269

(IRS Employer
Identification No.)

**48 Wall Street, Suite 1110
New York, New York 10005**

(Address of principal executive offices) (Zip Code)

(212) 582-3950

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 3.02 Unregistered Sales of Equity Securities

On October 28, 2009, Manhattan Pharmaceuticals, Inc. (the “Company”) entered into a Subscription Agreement (the “Subscription Agreement”) pursuant to which it sold a 12% Original Issue Discount Senior Subordinated Convertible Debenture with a stated value of \$400,000 (the “Debenture”) and a warrant (the “Warrant”) and, together with the Debenture, the “Securities”) to purchase 2,222,222 shares of the Company’s common stock, par value \$.001 par value per share (“Common Stock”). The Debenture is convertible into shares of Common Stock at an initial conversion price of \$0.09 per share, subject to adjustment, or, in the event the Company issues new securities in connection with a financing the Debenture may be converted into such new securities at a conversion price equal to the purchase price paid by the purchasers of such new securities. The Company may also, in its sole discretion, elect to pay interest due under the Debenture quarterly in shares of Common Stock provided such shares are subject to an effective registration statement. The Debenture is subordinated to the Company’s outstanding 12% Senior Secured Promissory Notes in the principal amount of \$1,725,000. The Warrant is exercisable at an exercise price of \$0.11 per share, subject to adjustment, prior to October 28, 2014. A copy of the Subscription Agreement, Debenture and Warrant are filed herewith as Exhibits 10.1, 10.2 and 10.3, respectively.

The purchaser of the Securities represented that it was an “accredited investor,” as that term is defined in Rule 501(a) of Regulation D under the Securities Act, and the sale of the Securities was made in reliance on exemptions provided by Regulation D and Section 4(2) of the Securities Act of 1933, as amended.

In connection with the issuance of the Securities, the Company issued warrants to purchase an aggregate of 222,222 shares of Common Stock at an exercise price of \$0.11 per share to National Securities Corporation, its placement agent, and certain of its designees (each of whom represented that he, she or it was an “accredited investor” as that term is defined in Rule 501(a) of Regulation D of the Securities Act) (each a “Placement Agent Warrant”) as compensation for its services. The form of Placement Agent Warrant is filed herewith as Exhibit 10.4.

The Company did not use any form of advertising or general solicitation in connection with the sale of the Securities. The Securities and shares of Common Stock issuable upon exercise or conversion thereof are non-transferable in the absence of an effective registration statement under the Securities Act of 1933, as amended, or an available exemption therefrom, and all certificates are imprinted with a restrictive legend to that effect.

Item 8.01 Other Events.

As previously disclosed in the Company’s Form 8-K filed with the Commission on September 9, 2008, the Company has been involved in an arbitration proceeding with Swiss Pharma Contract LTD (“Swiss Pharma”), a clinical site that the Company used in one of its obesity trials. On September 5, 2008, the sole arbitrator in Switzerland rendered an award in favor of Swiss Pharma, awarding to Swiss Pharma a total of approximately \$646,000. On October 27, 2009, the Company entered into a Settlement Agreement and Mutual Release with Swiss Pharma pursuant to which it agreed to pay Swiss Pharma \$200,000 and issue Swiss Pharma an interest free promissory note in the principal amount of \$250,000 in full satisfaction of such arbitration award.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

10.1 Subscription Agreement, dated October 28, 2009

10.2 12% Original Issue Discount Senior Subordinated Convertible Debenture, dated October 28, 2009

10.3 Warrant, dated October 28, 2009

10.4 Form of Placement Agent Warrant

Forward Looking Statements

This Current Report on Form 8-K contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by use of terms such as "may," "will," "should," "plan," "expect," "anticipate," "estimate" and similar words, although some forward-looking statements are expressed differently. Forward-looking statements represent our management's judgment regarding future events. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, the Company can give no assurance that such expectations will prove to be correct. All statements other than statements of historical fact included in this Current Report on Form 8-K are forward-looking statements. The Company cannot guarantee the accuracy of the forward-looking statements, and you should be aware that the Company's actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including the statements under "Risk Factors" contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANHATTAN PHARMACEUTICALS, INC.

Date: November 3, 2009

By: /s/ Michael G. McGuinness
Michael G. McGuinness
Chief Financial Officer

MANHATTAN PHARMACEUTICALS, INC.

SUBSCRIPTION AGREEMENT

1. **General.** This Subscription Agreement sets forth the terms under which the undersigned investor, Linden Growth Partners Master Fund LP (the “**Investor**”), will purchase from Manhattan Pharmaceuticals, Inc. (the “**Company**”) a 12% Original Issue Discount Subordinated Convertible Debenture (the “**Debenture**”) with a stated value of Four Hundred Thousand Dollars (\$400,000) (the “**Stated Value**”) and a warrant to purchase up to Two Million Two Hundred Twenty-Two Thousand Two Hundred Twenty-Two (2,222,222) shares of the Company’s common stock, \$.001 par value per share, subject to adjustment as set forth therein (the “**Warrant**” and together with the Debenture, the “**Securities**”) for a purchase price of Two Hundred Thousand Dollars (\$200,000) (the “**Purchase Price**”).

This Subscription Agreement is submitted by the Investor to the Company to induce the Company’s acceptance of this subscription in connection with the Company’s proposed issuance of the Securities to the Investor. The Investor understands that the Company will rely upon the representations set forth herein in issuing such Securities without registration under the Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any state. The Investor’s obligation to purchase the Securities and deliver the Purchase Price is subject to the Company’s execution and delivery of the Settlement Agreement and Mutual Release, dated October 27, 2009 (the “**Settlement Agreement**”), between the Company and Swiss Pharma Contract LTD. (“**Swiss Pharma**”), which, inter alia, provides that within one (1) business day of the receipt of the payment provided for in therein, the Satisfaction of Judgment attached as Exhibit B to the Settlement Agreement (the “**Satisfaction of Judgment**”), be filed with the clerk of the appropriate court. The Satisfaction of Judgment shall provide that judgment described therein (as described in the Company’s Form 10-Q for the quarter and six months ended June 30, 2009) has been satisfied by the Settlement Agreement.

2. **Restricted Securities.** The Investor understands that the sale or re-sale of the Securities has not been and is not being registered under the Securities Act or any applicable state securities laws, and the Securities, as applicable, may not be transferred unless:

- (i) they are sold pursuant to an effective registration statement under the Securities Act; or
 - (ii) they are being sold pursuant to a valid exemption from the registration requirements of the Securities Act and, if required by the Company, the Investor shall have delivered to the Company, at the Investor’s sole cost and expense, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from the registration requirements of the Securities Act, which opinion shall be acceptable to the Company; or
 - (iii) they are sold or transferred to an “affiliate” (as defined in Rule 144, promulgated under the Securities Act (or a successor rule (“**Rule 144**”)) of the Investor who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2 and who is an accredited investor, or
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(iv) they are sold pursuant to Rule 144.

The Investor understands that any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and other than as expressly provided for in the Securities with respect to certain piggyback registration rights, neither the Company nor any other individual or entity is under any obligation to register the Securities under the Securities Act or any state securities laws.

3. **Receipt of Information.** The Investor has had an opportunity to receive, and fully and carefully review, all information related to the Company and the Securities requested by it 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. The Investor acknowledges that it has received, and fully and carefully reviewed and understands this Agreement, the Debenture and the Warrant. Investor acknowledges that it has received (either in hard copy or electronically through the SEC's EDGAR), and fully and carefully reviewed and understands, the Company's reports, schedules, financial statements and other documents required to be filed by it with the Securities and Exchange Commission (the "SEC") pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") including without limitation, the Company's annual report on Form 10-K for the year ended December 31, 2008, the Company's quarterly reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009, the Company's preliminary proxy statement on Schedule 14A filed with the SEC on September 29, 2009 and the Company's current reports on Form 8-K (all of the foregoing filed with the SEC prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein being hereinafter referred to herein as the "SEC Documents"). The Investor acknowledges that based upon its review of the SEC Documents, it understands the Company, its business, the risks involved with an investment in the Company. The Investor understands that its investment in the Securities involves a high degree of risk and that the net proceeds received from the sale of the Securities will be utilized to satisfy the Company's initial payment obligations under its settlement agreement with Swiss Pharma Contract LTD. The Investor's decision to enter into this Agreement to purchase the Securities has been made based solely on the independent evaluation of the Company by the Investor and its representatives. The Investor has received such accounting, tax and legal advice from persons ("Professional Advisors") other than the Company as it has considered necessary to make an informed investment decision with respect to the acquisition of the Securities. Specifically, the Investor acknowledges that the Securities may be deemed to have been issued with original issue discount ("OID") for U.S. federal income tax purposes resulting in material tax consequences to the Investor and, accordingly, the Investor has reviewed the foregoing OID consequences with its Professional Advisors. The Investor acknowledges that the Company has neither prepared nor delivered to the Investor or to any other party acting on the Investor's behalf any offering documents, such as a private placement memorandum, offering memorandum, strategic plan or any similar documents and, to the extent the Investor has reviewed other documents, other than the SEC Documents, relating to the Company (whether or not prepared by the Company), including any business plan or financial projections, such documents may not be complete and there may be material information relating to the Company and/or an investment in the Securities which is not set forth in such documents.

4. **Restrictions on Transferability.** The Investor understands and agrees that the Securities and the Shares are restricted securities and, therefore, may not be sold, pledged, hypothecated or otherwise transferred unless they are registered under the Securities Act and applicable state securities laws (or an exemption from such registration is available and the compliance with such exemption is evidenced by an opinion of legal counsel to the Investor, addressed to the Company, in form and substance acceptable to the Company, that no violation of the Securities Act or any state securities law would result from such sale or transfer). The Investor understands that the certificates or instruments evidencing the Securities and the shares Common Stock issuable upon conversion or exercise of the Securities will bear a legend substantially in the form set forth below (among other applicable legends), and that the Company will make a notation on its transfer books to such effect:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT THERETO IS EFFECTIVE UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR (2) THE COMPANY RECEIVES AN OPINION OF COUNSEL TO THE HOLDER OF SUCH SECURITIES, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED, OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.”

5. **Additional Representations of the Proposed Investor.** The Investor hereby represents and warrants to the Company (with the intent that the Company shall rely upon these in determining the Investor’s suitability to purchase the Securities and the Shares) as follows:

(a) The entering into of this Agreement and the transactions contemplated hereby do not and will not result in the violation of any of the terms and provisions of any law applicable to, or the charter or other organizational documents, bylaws or other constating documents of, the Investor or of any agreement, written or oral, to which the Investor may be a party or by which the Investor is or may be bound.

(b) The Investor has duly executed and delivered this Agreement, and this Agreement constitutes a valid and binding agreement of the Investor enforceable against the Investor in accordance with its terms, except as such enforceability may be limited by general principals of equity, or to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors’ rights and remedies.

(c) The Securities are being acquired for the Investor’s own account, not as nominee or agent, for investment purposes only and not with a view to the resale or distribution of any part thereof in violation of the Securities Act, and such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of the Securities Act, without prejudice, however, to the Investor’s right at all times to sell or otherwise dispose of all or any part of such Securities in compliance with applicable federal and state securities laws.

(d) The Investor is neither a registered representative under the Financial Industry Regulatory Authority (“**FINRA**”), a member of FINRA or associated or Affiliated with any member of FINRA, nor a broker-dealer registered with the SEC under the Exchange Act or engaged in a business that would require it to be so registered, nor is it an Affiliate of a such a broker-dealer or any person engaged in a business that would require it to be registered as a broker-dealer. In the event such Investor is a member of FINRA, or associated or Affiliated with a member of FINRA, such Investor agrees, if requested by FINRA, to sign a lock-up, the form of which shall be satisfactory to FINRA with respect to the Warrants and the Warrant Shares.

(e) The Investor is not an underwriter of the Common Stock, nor is it an affiliate of an underwriter of the Common Stock.

(f) The Investor acknowledges that the purchase of the Securities is a highly speculative investment and that it can bear the economic risk and complete loss of its investment in the Securities and has such knowledge and experience in financial and/or business matters that it is capable of evaluating the merits and risks of the investment contemplated hereby.

(g) The Investor is an accredited investor as defined in Rule 501(a) of Regulation D, as amended, under the Securities Act.

(h) The Investor did not learn of the investment in the Securities as a result of any public advertising or general solicitation, and is not aware of any public advertisement or general solicitation in respect of the Company or its securities.

(i) The Investor will not have, as a result of the transactions contemplated hereby, any valid right, interest or claim against or upon the Company for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of the Investor.

(j) Other than with respect to the transactions contemplated herein, since the earlier to occur of (i) the time that the Investor was first contacted by the Company, or any other person regarding an investment in the Company and (ii) the thirtieth (30th) day prior to the date hereof, neither the Investor nor any affiliate of the Investor which (x) had knowledge of the transactions contemplated hereby, (y) has or shares discretion relating to the Investor's investments or trading or information concerning the Investor's investments, including in respect of the Securities, or (z) is subject to the Investor's review or input concerning such affiliate's investments or trading decisions (collectively, "**Trading Affiliates**") has, directly or indirectly, nor has any person acting on behalf of, or pursuant to, any understanding with the Investor or Trading Affiliate effected or agreed to effect any transactions in the securities of the Company or involving the Company's securities (a "**Prohibited Transaction**").

(k) The Investor is a resident of the jurisdiction set forth in the signature page hereto.

(l) The Investor understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Investor's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Investor set forth herein in order to determine the availability of such exemptions and the eligibility of the Investor to acquire the Securities. All of the information which the Investor has provided to the Company is true, correct and complete as of the date this Agreement is signed, and if there should be any change in such information prior to the Closing, the Investor will immediately provide the Company with such information.

(m) The Investor understands that affiliates and/or employees of the National Securities Corporation (the "**Placement Agent**") (i) beneficially own shares of Common Stock and (ii) will receive the compensation set forth in Section 8 in connection with the sale of the Securities.

6. Representations of the Company. Except as set forth in the Company's disclosure schedule (the "**Disclosure Schedule**"), the Company hereby represents and warrants to the Investor (the disclosure in any section of the Disclosure Schedule shall qualify the corresponding section of this Section 6, provided, however, that any matter set forth in any section of the Disclosure Schedule shall be deemed referred to and incorporated in all other sections of the Disclosure Schedule to which such matter's application or relevance is readily apparent on its face) as follows:

6.1 *Organization; Execution, Delivery and Performance.*

(a) The Company and each subsidiary of which the Company owns, directly or indirectly, a controlling interest (a “**Subsidiary**”) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated or organized, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. For purposes of this Agreement “**Material Adverse Effect**” shall mean a material adverse effect on (i) the assets, liabilities, results of operations, condition (financial or otherwise), business, or prospects of the Company taken as a whole; or (ii) the ability of the Company to perform its obligations under the Transaction Documents, but, to the extent applicable, shall exclude any circumstance, change or effect to the extent resulting or arising from: (i) any change in general economic conditions in the industries or markets in which the Company and its Subsidiaries operates so long as the Company and its Subsidiaries are not disproportionately (in a material manner) affected by such changes; (ii) national or international political conditions, including any engagement in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack so long as the Company and its Subsidiaries are not disproportionately (in a material manner) affected by such changes; (iii) changes in United States generally accepted accounting principles, or the interpretation thereof; or (iv) the entry into or announcement of this Agreement, actions contemplated by this Agreement, or the consummation of the transactions contemplated hereby.

(b) The Company has no Subsidiaries other than those listed in Schedule 6.1 of the Disclosure Schedule. Except as disclosed in Schedule 6.1 of the Disclosure Schedule or in the SEC Documents, the Company owns, directly or indirectly, all of the capital stock or comparable equity interests of each Subsidiary free and clear of any and all liens, security interests, charges, pledges or similar encumbrances (“**Liens**”) and all of the issued and outstanding shares of capital stock or comparable equity interest of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive rights of first refusal and other similar rights. The Company has the unrestricted right to vote, and (subject to limitations imposed by applicable law) to receive dividends and distributions on, all capital stock or other equity securities of its Subsidiaries that are owned by the Company.

- (c) (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Debenture and the Warrant (the “**Transaction Documents**”) and to consummate the transactions contemplated hereby and thereby and to issue the Securities in accordance with the terms hereof and thereof;
- (ii) the execution and delivery of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby have been duly authorized by the Company’s Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its stockholders, is required except as expressly contemplated by this Agreement;

- (iii) each of the Transaction Documents has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is a true and official representative with authority to sign each such document and the other documents or certificates executed in connection herewith and bind the Company accordingly; and
- (iv) each of the Transaction Documents constitutes, and upon execution and delivery thereof by the Company will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by general principals of equity, or to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

6.2 *Warrants Shares and Debenture Shares Duly Authorized.* The shares of the Company's common stock, \$.001 par value per share ("**Common Stock**") issuable upon (i) exercise of the Warrant (the "**Warrant Shares**") or (ii) conversion of the Debenture (the "**Debenture Shares**") will be duly authorized and reserved for future issuance and, upon exercise of the Warrant or conversion of the Debenture, in each case in accordance with their terms, will be duly and validly issued, fully paid and non-assessable, and free from all taxes or Liens with respect to the issue thereof and shall not be subject to preemptive rights, rights of first refusal and/or other similar rights of stockholders of the Company and/or any other individual or entity.

6.3 *No Conflicts.*

(a) Except as disclosed in Schedule 6.3 of the Disclosure Schedule, the execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Warrant Shares and the Debenture Shares) will not:

- (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws or similar documents of the Company;
- (ii) violate or conflict with, or result in a breach of any provision of, or constitutes a default and/or an event of default (or an event which with notice or lapse of time or both could become a default and/or an event of default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company is a party, except for possible violations, conflicts or defaults as would not, individually or in the aggregate, have a Material Adverse Effect on the Company; or
- (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or by which any property or asset of the Company is bound or affected.

(b) The Company is not in violation of its Certificate of Incorporation, By-laws or other organizational documents. The Company is not in default (and no event has occurred which with notice or lapse of time or both could put the Company in default), under, and the Company has not taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company is a party or by which any property or assets of the Company is bound or affected, except for possible defaults, terminations, amendments, accelerations or cancellations which would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company are not being conducted in violation of any law, rule ordinance or regulation of any governmental entity, except for possible violations which would not, individually or in the aggregate, have a Material Adverse Effect. Based in part on the truth and accuracy of the Investor's representations set forth herein, except as required under the Securities Act of 1933, as amended (the "**Securities Act**"), the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self regulatory organization or stock market or except as set forth on Schedule 6.3 of the Disclosure Schedule, any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Debenture or the Warrant in accordance with the terms hereof or thereof or to issue and sell the Debenture and Warrant in accordance with the terms hereof and to issue the Warrant Shares upon exercise of the Warrants or the Debenture Shares upon conversion of the Debenture. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof or will be obtained or effected in a timely manner following the Closing Date.

6.4 *Capitalization.*

(a) As of September 15, 2009, the authorized capital stock of the Company consists solely of 1,500,000 share of preferred stock, of which no shares of preferred stock are issued and outstanding and 300,000,000 shares of Common Stock, of which 70,624,232 shares of Common Stock are issued and outstanding, 7,592,232 shares of Common Stock are reserved for issuance pursuant to options granted under the Company's stock option plan, and 86,060,096 shares are reserved for issuance pursuant to securities (other than the Warrant and the Debenture) exercisable for, or convertible into or exchangeable for shares of Common Stock.

- (b) Except as described above, in the SEC Documents or Schedule 6.4(b) annexed hereto, as of September 15, 2009:
- (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company, or arrangements by which the Company is or may become bound to issue additional shares of capital stock of the Company;
 - (ii) other than as set forth on Schedule 6.4(b) of the Disclosure Schedule, there are no agreements or arrangements under which the Company is obligated to register the sale of any of its securities under the Securities Act (except for the registration rights provisions contained herein); and
 - (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of any of the Debenture, the Warrant, the Warrant Shares and/or the Debenture Shares. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and nonassessable. No shares of capital stock and/or other securities of the Company are subject to preemptive rights, rights of first refusal and/or any other similar rights of the stockholders of the Company and/or any other Person or any Lien imposed through the actions or failure to act of the Company.

(a) Except as set forth in Schedule 6.5 of the Disclosure Schedule or in the SEC Documents, since January 1, 2009, the Company has timely filed (subject to 12b-25 filings with respect to certain periodic filings) all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act. The SEC Documents have been made available to the Investor via the SEC's EDGAR system. Except as set forth on Schedule 6.5 of the Disclosure Schedule, as of their respective dates the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date hereof, the SEC Documents when taken in their entirety, shall not contain any untrue statements of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the date upon which they were made and the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents ("**Company Financial Statements**") complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto as in effect at the time of the filing. The Company Financial Statements have been prepared in accordance with United States generally accepted accounting principles ("**GAAP**"), consistently applied, during the periods involved (except:

- (i) as may be otherwise indicated in such financial statements or the notes thereto; or
- (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements) and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries, if any, as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(b) Except as expressly set forth in the Company Financial Statements, in the SEC Documents or on Schedule 6.5, the Company has no liabilities, contingent or otherwise, other than:

- (i) liabilities incurred in the ordinary course of business subsequent to December 31, 2008; and
- (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under GAAP to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company.

(c) The shares of Common Stock are quoted on the OTCBB under the symbol "MHAN." The Company has not received notice (written or oral) from the OTCBB to the effect that the Company is not in compliance with the continuing requirements of the OTCBB. The Company is, and it has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such maintenance requirements.

(d) All information relating to or concerning the Company and its officers, directors, employees, customers or clients (including, without limitation, all information regarding the Company's internal financial accounting controls and procedures) set forth in the Transaction Documents and the SEC Documents incorporated by reference therein, when taken together as a whole, does not contain an untrue statement of material fact or omit to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading.

6.6 *Intellectual Property.* Except as set forth in Schedule 6.6 or in the SEC Documents, the Company or its Subsidiaries owns valid title, free and clear of any Liens, or possesses the requisite valid and current licenses or rights, free and clear of any Liens, to use all Intellectual Property in connection with the conduct its business as now operated. There is no pending claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated. To the best of the Company's knowledge, the Company's current products, services and processes do not infringe on any Intellectual Property or other rights held by any person, and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company has not received any written notice of infringement of, or conflict with, the asserted rights of others with respect to its intellectual property. The Company has taken reasonable security measures to protect the secrecy, confidentiality and value of its intellectual property.

6.7 *Permits; Compliance.* The Company is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "**Company Permits**"), except where such failure to possess would not have a Material Adverse Effect, and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. The Company is not in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since December 31, 2008, the Company has received no notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

6.8 *Absence of Litigation.* Except as set forth in Schedule 6.8 of the Disclosure Schedule or in the SEC Documents, there is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company, threatened against or affecting the Company, or its businesses, properties or assets or their officers or directors in their capacity as such, that would have a Material Adverse Effect.

6.9 *No Materially Adverse Contracts, etc.* Except as set forth in Schedule 6.9 of the Disclosure Schedule, the Company is not subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. The Company is not a party to any contract or agreement which has or is reasonably expected to have a Material Adverse Effect.

6.10 *No Material Changes.* Except as set forth in the SEC Documents, since December 31, 2008, there has not been (i) any material adverse change in the financial condition, operations or business of the Company from that shown on the Company Financial Statements, or any material transaction or commitment effected or entered into by the Company outside of the ordinary course of business; (ii) to the Company's knowledge, any effect, change or circumstance which has had, or could reasonably be expected to have, a Material Adverse Effect; or (iii) any incurrence of any material liability outside of the ordinary course of business.

6.11 *Labor Matters.*

(a) The Company is not a party to or bound by any collective bargaining agreements or other agreements with labor organizations. The Company has not violated in any material respect any laws, regulations, orders or contract terms, affecting the collective bargaining rights of employees, labor organizations or any laws, regulations or orders affecting employment discrimination, equal opportunity employment, or employees' health, safety, welfare, wages and hours.

(b) The Company is, and at all times has been, in compliance in all material respects with all applicable laws respecting employment (including laws relating to classification of employees and independent contractors) and employment practices, terms and conditions of employment, wages and hours, and immigration and naturalization.

6.12 *Environmental Matters.* To the Company's knowledge, neither the Company nor any Subsidiary is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), owns or operates any real property contaminated with any substance that is subject to any Environmental Laws, is liable for any off-site disposal or contamination pursuant to any Environmental Laws, and is subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim has had or could reasonably be expected to have a Material Adverse Effect, individually or in the aggregate; and there is no pending or, to the Company's knowledge, threatened investigation that might lead to such a claim.

6.13 *Tax Matters.* None of the Company and its Subsidiaries has made or filed any federal, state and foreign income or any other tax returns, reports and declarations required by any jurisdiction to which it is subject and none of them has ever paid any taxes or other governmental assessments or charges that are material in amount, nor is it aware of any that have been assessed or are due. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. Neither the Company nor any of its Subsidiaries have executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax.

6.14 *Certain Transactions.* Except as set forth on Schedule 6.14 of the Disclosure Schedule or in the SEC Documents, there are no loans, leases, royalty agreements or other transactions between (i) the Company or any of its customers or suppliers; and (ii) any officer, employee, consultant or director of the Company or any person owning five (5%) percent or more of the capital stock of the Company or five (5%) percent or more of the ownership interests of the Company or any member of the immediate family of such officer, employee, consultant, director, stockholder or owner or any corporation or other entity controlled by such officer, employee, consultant, director, stockholder or owner, or a member of the immediate family of such officer, employee, consultant, director, stockholder or owner.

6.15 *Form D; Blue Sky Laws.* The Company shall file a Form D with respect to the Securities as required under Regulation D promulgated under the Securities Act and to provide a copy thereof to the Placement Agent, promptly after such filing. The Company shall assist the legal counsel of the placement agent of the Securities (the “**Placement Agent**”), on or before the date of the closing of the sale of the Securities (the “**Closing Date**”), in qualifying the Securities for sale to the Investor in the applicable closing pursuant to this Agreement under applicable securities or “blue sky” laws of the states of the United States (or to obtain an exemption from such qualification), and shall pay all fees and expenses of such counsel in connection therewith, including, but not limited to, all state filing fees and such counsel’s legal fees and expenses.

6.16 *Public Information.* At any time during the period commencing from the six (6) month anniversary of the Closing Date and ending at such time that all of the Warrant Shares and Debenture Shares can be sold either pursuant to a registration statement, or if a registration statement is not available for the resale of all of such securities, may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144, if the Company shall fail for any reason or no reason to satisfy the current public information requirement under Rule 144(c) (a “**Public Information Failure**”) then, as a remedy for the damages to any holder of Securities by reason of any such delay in or reduction of its ability to sell the Warrant Shares or Debenture Shares (which remedy shall not be exclusive of any other remedies available), including, without limitation, specific performance), the Company shall pay to each holder of Warrant Shares or Debenture Shares who is not eligible to sell all of his, her or its Warrant Shares or Debenture Shares pursuant to Rule 144 as a result of such Public Information Failure an amount in cash, as liquidated damages and not as a penalty equal to two (2%) percent of the Purchase Price of the Investor’s Securities on the day of a Public Information Failure and on every thirtieth (30th) day (pro rated for periods totaling less than thirty (30) days) thereafter until the earlier of (i) the date such Public Information Failure is cured and (ii) such time that such public information is no longer required pursuant to Rule 144. The payments to which a holder shall be entitled pursuant to this Section 6.16 are referred to herein as “**Public Information Failure Payments.**” Public Information Failure Payments shall be paid on the earlier of (I) the last day of the calendar month during which such Public Information Failure Payments are incurred and (II) the fifth (5th) business day after the event or failure giving rise to the Public Information Failure Payments is cured. The parties agree that the maximum aggregate amount of Public Information Failure Payments payable to the Investor by the Company shall be ten (10%) percent of the aggregate Purchase Price of such Investor’s Securities. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of two (2%) percent per month (prorated for partial months) until paid in full.

7. **Covenants of the Company.** In connection with any proposed sale of shares of Common Stock issuable upon conversion of the Debentures and exercise of the Warrants pursuant to Rule 144 (or any successor provision) by the Investor, the Company covenants that it shall take such reasonable action as the Investor may request (including, without limitation, promptly obtaining any required legal opinions from Company counsel necessary to effect the sale of such Common Stock under Rule 144 and paying all related fees and expenses of such counsel in connection with such opinions), all to the extent required from time to time to enable such Investor to sell such shares of Common Stock without registration under the Securities Act pursuant to the provisions of Rule 144 (or any successor provision). The Company further covenants to take such action and to provide such legal opinions within three (3) business days after receipt from such Investor (or its representative) of documentation reasonably required by Company counsel to provide such opinion.

8. **Indemnification.** Each of the parties hereto hereby agrees to indemnify and hold harmless the other party, and its officers, directors, attorneys, agents, employees and affiliates, from and against any and all loss, damage or liability directly or indirectly due to or arising out of a breach of any representation, warranty or covenant of such party contained in this Subscription Agreement. Each of the parties hereto will notify the other immediately of any material change in any statement made herein that occurs prior to the closing of the sale of the Securities to the Investor.

9. **Representative Capacity.** If an investment in the Company is being made by a corporation, partnership, limited liability company, trust, estate or other entity, I, the person signing on behalf of the Investor, personally hereby represent that I have all right and authority, in my capacity as an officer, general partner, trustee, executor or other representative of such corporation, partnership, trust, estate or other entity, as the case may be, to make such decision to invest in the Company and to execute and deliver this Subscription Agreement on behalf of such corporation, partnership, trust, estate or other entity as the case may be, enforceable in accordance with its terms. I also represent that any such corporation, partnership, trust, entity or other entity was not formed for the purpose of buying the Securities hereby subscribed.

10. **Compensation of Placement Agent, Brokers, etc.** The Investor acknowledges that it is fully aware that the Placement Agent will receive from the Company, in consideration of its services as placement agent in respect of the offer and sale of the Securities contemplated hereby:

- (i) a fee of ten (10%) percent of the gross proceeds raised upon the sale of the Securities;
- (ii) a warrant to purchase up to Two Hundred and Twenty-Two Thousand Two Hundred Twenty-Two shares (222,222) of Common Stock, subject to adjustment for stock splits, stock dividends, combinations, recapitalizations, which shall be in the same for as the Warrant; and
- (iii) reimbursement of up to \$10,000 of legal expenses of the Placement Agent.

11. **Use of Proceeds.** The Company agrees, represents, warranties and covenants that it shall use the net proceeds received from the sale of the Securities to satisfy the Company's initial payment obligation under the Settlement Agreement. The Company may, upon prior written notice to the Investor, direct the Investor to pay the Purchase Price by wire transfer of immediately available funds directly to an account for the benefit of Swiss Pharma or Swiss Pharma's parent company, Covance Inc., as set forth in such notice.

12. **Governing Law; Consent to Jurisdiction.** This Agreement shall be governed by, and construed solely and exclusively in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the sole and exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby.

13. **Entire Agreement, Etc.** This Subscription Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and thereof and supersedes all other prior and contemporaneous agreements, understandings, negotiations, transmission, and discussions, whether oral or written, of the parties. No supplement, modification, amendment, or waiver of this Subscription Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Subscription Agreement shall be deemed to or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. This Subscription Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their respective successors, heirs, estates, representatives and permitted assigns. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by law.

14. Notices. All notices, requests, demands and other communications provided in connection with this Agreement shall be in writing and shall be deemed to have been duly given at the time when hand delivered, delivered by express courier, or sent by facsimile (with receipt confirmed by the sender's transmitting device) in accordance with the contact information provided below or such other contact information as the parties may have duly provided by notice.

The Company:

Manhattan Pharmaceuticals, Inc.
48 Wall Street, Suite 1100
New York, NY 10005
Facsimile: (212) 582-3957
Attention: Mike McGuinness

With a copy to:

Lowenstein Sandler PC
65 Livingston Avenue
Roseland, NJ 07068-1791
Facsimile: (973) 597-2445
Attention: Anthony Pergola, Esq.

The Investor:

As per the contact information provided on the signature page hereof.

15. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

16. Headings; Counterparts. Section headings are not to be considered part of this Subscription Agreement and are included solely for convenience and are not intended to be full or accurate descriptions of the contents thereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows]

INVESTOR:

LINDEN GROWTH PARTNERS MASTER FUND LP

By: /s/ Lara S. Coviello
Name: Lara S. Coviello
Title: Analyst

Address: 200 Abington Executive Park, Suite 205
Clarks Summit, PA 18411

Phone: _____
Telecopier: _____

APPROVED THIS 28th DAY OF OCTOBER, 2009

MANHATTAN PHARMACEUTICALS, INC.

By: /s/ Mike McGuinness

Name: Mike McGuinness
Title: Chief Financial Officer

THIS SENIOR SECURED PROMISSORY DEBENTURE HAS BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED UNTIL (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO OR (ii) RECEIPT BY THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT REGISTRATION UNDER THE ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND SHALL BE ENDORSED UPON ANY DEBENTURE ISSUED IN EXCHANGE FOR THIS DEBENTURE.

MANHATTAN PHARMACEUTICALS, INC.

12% Original Issue Discount Senior Subordinated Convertible Debenture

Debenture No.: 1

\$400,000

FOR VALUE RECEIVED, Manhattan Pharmaceuticals, Inc., a Delaware corporation (the "**Company**") with its principal executive office at 48 Wall Street, Suite 1100, New York, New York 10005, promises to pay to the order of Linden Growth Partners Master Fund LP or its registered assigns (the "**Holder**") on the Maturity Date (as defined in Section 2 below), the principal amount of Four Hundred Thousand Dollars (\$400,000) (the "**Stated Value**"), in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Interest on this Debenture shall accrue on the Stated Value outstanding from time to time at a rate per annum computed in accordance with Section 3 hereof.

The Company (i) waives presentment, demand, protest or notice of any kind in connection with this Debenture and (ii) agrees, in the event of an Event of Default (as defined in Section 9 below), to pay to the holder of this Debenture, on demand, all costs and expenses (including reasonable legal fees and expenses as and when incurred), incurred in connection with the enforcement and/or collection of this Debenture.

This Debenture is issued pursuant to that certain Subscription Agreement, dated as of the date hereof, by and between the Company and the Holder (the "**Subscription Agreement**").

1. Prepayment. This Debenture shall be payable at any time and from time to time, in whole or in part, at the election of the Company upon at least twenty (20) days prior written notice to the Holder. Any prepayments of this Debenture prior to the Maturity Date shall be applied first to the payment of any fees and expenses then owed to the Holder, second, to accrued and unpaid Interest (defined below) and third, to the payment of the Stated Value then outstanding.

2. **Maturity Date.** The entire unpaid Stated Value of this Debenture, together with all fees and expenses (if any), and accrued, but unpaid, Interest thereon, shall be immediately due and payable at 12:01 a.m. on the earlier of (i) October 28, 2011 or (ii) the consummation by the Company of one or a series of debt or equity financings (excluding commercial bank debt transactions) resulting in gross proceeds to the Company of Ten Million Dollars (\$10,000,000) (such date, the "**Maturity Date**"). In the event that the Maturity Date falls on a Saturday, Sunday or a holiday on which banks in the State of New York are closed, the Maturity Date shall be the first business day occurring immediately after such date.

3. **Interest; Etc.**

(a) **Interest Rate.** This Debenture shall bear interest (the "**Interest**") on the outstanding Stated Value at the rate of twelve (12%) percent per annum. Interest on this Debenture shall commence accruing on the date hereof and shall be computed on the basis of a year of 360 days for the actual number of days elapsed. Interest shall be compounded quarterly and shall be payable on the Maturity Date as set forth in Section 4 below. The Company may, in its sole discretion elect to pay Interest quarterly in cash or in shares of its common stock, \$.001 par value per share, the resale of which is subject to an effective registration statement under the Securities Act of 1933, as amended ("**Registered Common Stock**"), if available. In the event Interest is paid in Registered Common Stock, the Registered Common Stock shall be valued at a twenty percent (20%) discount to the volume weighted average price per share as quoted on Bloomberg, LP for the twenty (20) day period prior to the payment date of such Interest.

(b) **Maximum Rate.** In the event that under the laws relating to usury applicable to the Company or the indebtedness evidenced by this Debenture ("**Applicable Usury Laws**"), the interest charges and fees payable by the Company in connection herewith or in connection with any other document or instrument executed and delivered in connection herewith cause the effective interest rate applicable to the indebtedness evidenced by this Debenture to exceed the maximum rate allowed by law (the "**Maximum Rate**"), then such interest shall be recalculated for the period in question and any excess over the Maximum Rate paid with respect to such period shall be credited, without further agreement or notice, to the Stated Value outstanding hereunder to reduce said balance by such amount with the same force and effect as though the Company had specifically designated such extra sums to be so applied to principal and the Holder had agreed to accept such extra payment(s) as a premium-free prepayment. All such deemed prepayments shall be applied to the principal balance payable at maturity. In no event shall any agreed-to or actual exaction as consideration for this Debenture exceed the limits imposed or provided by Applicable Usury Laws in the jurisdiction in which the Company is resident applicable to the use or detention of money or to forbearance in seeking its collection in the jurisdiction in which the Company is resident.

4. **Manner of Payment.** Except as otherwise provided in Section 3, the Stated Value, Interest, and all other amounts due under this Debenture shall be due and payable on the Maturity Date, in lawful money of the United States of America, to the Holder at such address as designated from time to time by the Holder in writing to the Company or by electronic wire funds transfer of immediately available funds pursuant to written instructions provided to the Company by the Holder. All amounts due from the Company to the Holder under this Debenture shall be made without benefit of any setoff, counterclaim or other defense. All payments on this Debenture shall be applied first to the payment of fees and expenses, if any, then to accrued but unpaid Interest and then to the payment of the Stated Value.

5. **Conversion.**

(a) **Optional Conversion.** The Holder shall have the right, at its option, to convert all or a portion of this Debenture (including any accrued but unpaid Interest) into shares of the Company's common stock, \$.001 par value per share ("**Common Stock**") at a conversion price equal to \$0.09 per share, subject to adjustment as set forth in Section 6 (the "**Conversion Price**"). The Holder shall exercise its right to convert this Debenture by delivering to the Company a written notice setting forth its election to convert (a "**Written Election to Convert**") in the form attached hereto as Exhibit A and surrendering this Debenture. Upon receipt of the Written Election to Convert and the surrender of this Debenture, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Holder, and in such name or names as the Holder may designate, a certificate or certificates for the full number of shares of Common Stock so purchased upon conversion of this Debenture. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such securities as of the date of delivery of the Election to Convert, notwithstanding that the certificate or certificates representing such securities shall not actually have been delivered or that the stock transfer books of the Company shall then be closed. In the event that the Stated Value of this Debenture exceeds the amount being converted, the Company shall, upon such conversion execute and deliver to the Holder a new Debenture for the Stated Value of this Debenture surrendered which is not to be converted.

(b) **New Securities Conversion.** In the event the Company proposes to issue new securities in connection with a financing (the "**New Securities**"), it shall provide no less than thirty (30) days prior written notice to the Holder describing the New Securities to be issued. The Holder shall have the right, at its option, to convert all or a portion of this Debenture (including any accrued but unpaid Interest) into such New Securities at a conversion price equal to the purchase price paid by the purchasers of such New Securities. The Holder shall exercise its right to convert this Debenture by delivering to the Company a Written Election to Convert and surrendering this Debenture. Upon receipt of the Written Election to Convert, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Holder, and in such name or names as the Holder may designate, a certificate or certificates evidencing the New Securities so purchased upon conversion of this Debenture at the closing of such financing in which the New Securities are sold. In the event that the Stated Value of this Debenture exceeds the amount being converted, the Company shall, upon such conversion execute and deliver to the Holder a new Debenture for the Stated Value of this Debenture surrendered which is not to be converted.

6. **Adjustments.**

(a) **Stock Dividends and Splits.** If the Company, at any time while this Debenture is outstanding: (A) pays a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock, (B) subdivides outstanding shares of Common Stock into a larger number of shares, (C) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event and the number of shares issuable upon conversion of this Debenture shall be proportionately adjusted. Any adjustment made pursuant to this Section 6(a) 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, combination or reclassification.

(b) **Additional Issuances of Equity Securities.** If the Company, at any time while this Debenture is outstanding, shall issue or sell any Equity Securities (as defined below) at an effective price per share less than the then effective Conversion Price (such lower price, the "**Base Share Price**" and such issuances collectively, a "**Dilutive Issuance**"), as adjusted hereunder (if the holder of the Equity Securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which is issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share which is less than the then effective Conversion Price, such issuance shall be deemed to have occurred for less than the then effective Conversion Price on such date of the Dilutive Issuance), then, the Conversion Price shall be reduced and only reduced to equal the Base Share Price. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 6(b) in respect of Exempt Issuances (as defined below). The Company shall notify the Holder in writing as promptly as reasonably possible following the issuance of any Equity Securities subject to this section, indicating therein the applicable issuance price, or of applicable reset price, exchange price, conversion price and other pricing terms (such notice the "**Dilutive Issuance Notice**"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 6(b), upon the occurrence of any Dilutive Issuance while this Debenture is outstanding, after the date of such Dilutive Issuance the Holder is entitled to the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Written Election to Convert.

For purposes of this Section 6(b), the following definitions shall apply:

"**Common Stock Equivalents**" means any securities of the Company or its subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"**Equity Securities**" means (i) Common Stock and (ii) Common Stock Equivalents.

“Exempt Issuance” means (i) any Equity Securities issued or issuable pursuant to options, warrants or other rights issued or issuable to employees, officers or directors of, or consultants or advisors to the Company or any subsidiary, pursuant to equity incentive plans or other employee benefit arrangements; (ii) any Equity Securities issued or issuable pursuant to any rights or agreements, options, warrants or convertible securities outstanding as of the issuance date of this Debenture; (iii) any Equity Securities issued or issuable for consideration other than cash pursuant to a merger, consolidation, strategic alliance, acquisition or similar business combination; (iv) any Equity Securities issued or issuable in connection with any stock split, stock dividend, distribution or recapitalization by the Company; (v) any Equity Securities issued or issuable pursuant to any equipment loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank or similar financial or lending institution; (vi) any Equity Securities issued or issuable to the Placement Agent or its affiliates in connection with this Debenture issuance; and (v) any Equity Securities issued to the Holder pursuant to the Subscription Agreement, dated as of the date hereof, between the Company and the Holder.

(e) **Mergers, Consolidations, Etc.** In the event of any consolidation or merger of Company with or into another corporation or the conveyance of all or substantially all of the assets of Company to another corporation or entity, this Debenture shall thereafter be convertible into the number of shares of capital stock or other securities or property to which a holder of the number of Common Stock deliverable upon conversion hereof would have been entitled upon such consolidation, merger or conveyance; and, in any such case, appropriate adjustment shall be made in the application of the provisions herein set forth with respect to the rights and interest of Holder thereafter, to the end that the provisions set forth herein (including provisions with respect to adjustments in the Conversion Price) shall thereafter be applicable, as nearly as may be practicable, in relation to any shares of stock or other property thereafter deliverable upon the conversion hereof.

(f) **Calculations.** All calculations under this Section 6 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 6, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

(g) **Voluntary Adjustment By Company.** The provisions of this Section 6 shall similarly apply to successive, stock dividends, stock splits or combinations, reclassifications, exchanges, substitutions, Dilutive Issuances or other events.

7. **Redemption.** If at any time prior to the Maturity Date, the resale of the Common Stock issuable upon conversion of this Debenture is subject to an effective registration statement under the Securities Act of 1933, as amended, the Company may, in its sole discretion, upon at least thirty (30) days prior written notice to the Holder, elect to redeem the Debenture in cash for an amount equal to 120% of the Stated Value plus any accrued and unpaid Interest.

8. **Senior Subordinated Instrument; Subordination.**

(a) The indebtedness evidenced by this Debenture and the payment of the principal and interest thereof shall be Senior (as hereinafter defined) to, and have priority in right of payment over, all indebtedness of Company, now outstanding or hereinafter incurred, except for the Senior Claim (as defined below). "Senior" as used herein shall be deemed to mean that, in the event of any default in the payment of the obligations represented by this Debenture (after giving effect to "cure" provisions, if any) or of any liquidation, insolvency, bankruptcy, reorganization, or similar proceedings relating to the Company, all sums payable on this Debenture shall first be paid in full, with interest, if any, before any payment is made upon any other indebtedness, now outstanding or hereinafter incurred, except for the Senior Claim, and, in any such event, any payment or distribution of any character which shall be made in respect of any other indebtedness of the Company, other than the Senior Claim, shall be paid over to the Holder of this Debenture for application to the payment hereof, unless and until the obligations under this Debenture (which shall mean the principal and other obligations arising out of, premium, if any, interest on, and any costs and expenses payable under, this Debenture) shall have been paid and satisfied in full.

(b) The Company covenants that so long as any of its obligations under this Debenture are outstanding it shall not create, incur, assume or suffer to exist any indebtedness for borrowed money that is senior in right of payment to this Debenture other than any Senior Claim.

(c) The Holder and any subsequent holder of this Debenture, by his, her or its acceptance of this Debenture, agrees, that the obligation of the Company to make any payment hereunder is irrevocably subordinate, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of any Senior Claim. "**Senior Claim**" shall mean all liabilities, obligations and indebtedness of any and every kind and nature, of the Company to the holders of the Company's 12% Senior Secured Promissory Notes in the aggregate principal amount of \$1,725,000 issued pursuant to that certain Securities Purchase Agreement, dated as of November 25, 2008, whether heretofore, now or hereafter owing, arising, due or payable, and howsoever evidenced, created, incurred, acquired or owing. The Company will not make any payment hereunder until the Senior Claim shall have been paid and discharged in its entirety or at any time during which there shall have occurred and be continuing a default with respect to the payment of any principal of, or interest on, the Senior Claim, which has not been waived, in each case pursuant to the terms of the Senior Claim.

(d) Upon any distribution of the assets of the Company in connection with any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings) or upon any assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Company or otherwise:

(i) the holder of the Senior Claim shall be entitled to receive payment in full of the Senior Claim (including interest accruing from and after the commencement of any such proceeding at the rate specified in the Senior Claim except to the extent prohibited by mandatory provisions of law) before the Holder shall be entitled to receive any payment hereunder; and

(ii) in the event that, notwithstanding the foregoing, any such payment or distribution of assets shall be received by the Holder before the Senior Claim shall have been paid in full, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holder of the Senior Claim, for application in payment thereof in accordance with the provisions of subsection (b) of this Section 8.

(c) If any payment is made to the holder of the Senior Claim which, but for the provisions of this Section 8, would have been made to the Holder, when the indebtedness to the holder of the Senior Claim is paid in full, the Holder will be subrogated to the claim of the holder of the Senior Claim against the Company to the extent of the amount of the Senior Claim which was paid out of sums which otherwise would have been payable to the Holder, and no such payment or distribution for the account of the holder of the Senior Claim shall, for the purposes of this Section 8, be deemed to be a payment or distribution by the Company on account of the Senior Claim.

(e) Nothing contained in this Section 8 or elsewhere in this Debenture is intended to or shall impair, as between the Company and the Holder, the obligation of the Company to pay to the Holder all or a portion of the principal and interest of this Debenture as and when the same shall become due and payable in accordance with the terms hereof, or is intended to or shall affect the relative rights of the Holder and creditors of the Company other than the holder of the Senior Claim.

9. Events of Defaults and Remedies.

9.1 Event of Default. An “Event of Default” shall exist if any one or more of the following shall occur:

(a) failure by the Company to pay any of its obligations under this Debenture when due, whether on the date fixed for payment or by acceleration or otherwise; or

(b) if any representation or warranty made by the Company in any of the Subscription Agreement, this Debenture or in any certificate, financial or other statement furnished at the time of closing or pursuant to the Subscription Agreement shall prove to have been untrue or misleading in any material respect at the time made which shall not have been cured within ten (10) days of the Company’s receipt of the Holder’s written notice to the Company; or

(c) default by the Company in the performance or observance of any covenant or agreement contained in this Debenture and/or the Subscription Agreement which is not cured within any applicable grace period for therein, if any; or

(d) a final judgment for the payment of money in excess of \$50,000 shall be rendered against the Company, and such judgment shall remain undischarged for a period of sixty (60) days from the date of entry thereof unless within such sixty (60) day period such judgment shall be stayed, and appeal taken therefrom and the execution thereon stayed during such appeal, other than the judgment confirming the arbitration award in favor of Swiss Pharma Contract LTD (“Swiss Pharma”) (as described in the Company’s Form 10-Q for the quarter and six months ended June 30, 2009) that was presented to the NYS Supreme Court for entry on August 10, 2009; provided, however, that any material breach of the Settlement Agreement and Mutual Release, dated October 27, 2009, between the Company and Swiss Pharma which shall not have been cured within the time period provided in the Settlement Agreement shall constitute an Event of Default hereunder; or

(e) The Company shall:

- (i) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Company or any of its properties, or make a general assignment for the benefit of creditors;
- (ii) in the absence of such application, consent or acquiesce in, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for the Company or for any part of its properties, and such trustee, receiver, sequestrator or other custodian shall not be discharged within thirty (30) days;
- (iii) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Company, and, if such case or proceeding is not commenced by the Company or converted to a voluntary case, such case or proceeding shall be consented to or acquiesced in by the Company or shall result in the entry of an order for relief or shall remain for sixty (60) days undismissed; or
- (iv) take any corporate action authorizing, or in furtherance of, any of the foregoing;

9.2 Remedies. Upon the occurrence of an Event of Default, specified in Section 9.1(e) above, the outstanding Stated Value of this Debenture and all other obligations hereunder shall automatically be and become immediately due and payable, without notice or demand. Upon the occurrence of an Event of Default other than those specified in Section 9.1(e), the Holder may declare, at its option, so long as the Event of Default is continuing at the time notice thereof is given, upon five (5) days' notice or demand, this Debenture to be immediately due and payable. In any case, this Debenture shall become due and payable without presentment, demand or protest, all of which are hereby expressly waived. Upon the occurrence of an Event of Default and after the expiration of any grace period therefor specified herein, the Holder shall thereupon have, in addition to any rights it may have to proceed directly against the Company as a result of such default, the rights, benefits, and remedies afforded to it under any of this Debenture or the Subscription Agreement. The Company agrees that the Holder may or may not proceed, as each determines in its sole discretion, with any or all other rights, benefits, and remedies which they may have against the Company. The rights afforded to the Holder under all of the foregoing shall be cumulative. The Company shall give the Holder prompt written notice of any material breach of the Settlement Agreement which shall not have been cured within the time period provided in the Settlement Agreement.

10. **Piggyback Registration Rights.** If at any time the Company shall determine to file with the Securities and Exchange Commission a registration statement ("**Registration Statement**") relating to an offering for its own account or the account of others under the Securities Act of 1933 Act, as amended (other than on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other bona fide, employee benefit plans), the Company shall send to the Holder, written notice of such determination and, if within thirty (30) days after the effective date of such notice, such Holder shall so request in writing, the Company shall include in such Registration Statement all or any part of the shares such Holder requests to be registered which have been issued or are issuable pursuant to this Debenture, which may include the Common Stock into which this Debenture is convertible, the shares of Common Stock issuable as Interest payments and the shares of Common Stock underlying any New Securities into which this Debenture may be converted pursuant to Section 5(b) ("**Registration Shares**"), except that if, in connection with any underwritten public offering for the account of the Company the managing underwriter(s) thereof shall impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registration Shares with respect to which such Holder has requested inclusion hereunder as the underwriter shall permit and shall be subject to any senior registration rights existing on the date hereof. Any exclusion of Registration Shares shall be made pro rata among the Holder and its registered assigns, if any, seeking to include shares in proportion to the number of equity securities sought to be included by such Holder and its registered assigns. Notwithstanding the foregoing, this Section 10 shall not apply to any registration statement filed pursuant to the Registration Rights Agreement, dated February 25, 2008, by and among the Company and Nordic Biotech Venture Fund II K/S, as amended from time to time.

11. **Amendments and Waivers.**

(a) The provisions of this Debenture may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to in writing by the Company and the Holder.

(b) No failure or delay on the part of the Holder to exercise any right, power or privilege under this Debenture and no course of dealing between the Company and the Holder shall impair such right, power or privilege or operate as a waiver of any default or an acquiescence therein, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No notice to or demand on the Company in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Holder shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

(c) To the extent that the Company makes a payment or payments to the Holder, and such payment or payments or any part thereof are subsequently for any reason invalidated, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

(d) After any waiver, amendment or supplement under this section becomes effective, the Company shall mail to the Holder a copy thereof.

12. Miscellaneous.

(a) Parties in Interest. All covenants, agreements and undertakings in this Debenture binding upon the Company or the Holder shall bind and inure to the benefit of the successors and permitted assigns of the Company and the Holder, respectively, whether so expressed or not.

(b) Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Debenture shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other party; (b) when received when sent by facsimile at the address and number set forth below; (c) three (3) business days after deposit in the U.S. mail with first class or certified mail, return receipt requested, postage prepaid, and addressed to the other party as set forth below; or (d) the next business day after deposit with a national overnight delivery service, postage prepaid, addressed to the parties as set forth below with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider.

To Holder:

Fax Number:

To the Company:

Manhattan Pharmaceuticals, Inc.
48 Wall Street, Suite 1100
New York, New York 10005
Attn: Douglas Abel
Chief Executive Officer
Fax Number: (212) 582-3957

(c) Notice of Certain Transactions. In case at any time:

(i) There shall be any capital reorganization of the Company, or a sale of all or substantially all of the assets of the Company, or a consolidation or merger of the Company with another corporation (other than a merger with a wholly owned subsidiary of the Company in which merger the Company is the continuing corporation and which does not result in any reclassification); or

(ii) There shall be a voluntary or involuntary dissolution; liquidation or winding-up of the Company; or

(iii) The occurrence of an Event of Default, a default and/or breach of any provision of this Debenture and/or the Subscription Agreement and/or any event occurs that with the passage of time or otherwise could result in an Event of Default;

then, in any one or more of said cases, the Company shall cause to be mailed to the Holder at the earliest practicable time (and, in any event not less than twenty (20) days before any record date or other date set for definitive action, if any need be taken), written notice of the date on which the books of the Company shall close for such reorganization, reclassification, sale, consolidation, merger or dissolution, liquidation or winding-up shall take place, as the case may be. Such notice shall also set forth such facts as shall indicate the effect of such action (to the extent such effect may be known at the date of such notice) on this Debenture.

Nothing herein shall be construed as the consent of the Holder to any action otherwise prohibited by the terms of this Debenture or as a waiver of any such prohibition.

(d) Expenses. The Company agrees to pay all costs and expenses, including, but not limited to, reasonable attorneys' fees and costs of suit and preparation therefor (as and when incurred), incurred in connection with the collection and enforcement of this Debenture.

(e) Assignment. The rights, interests and obligations hereunder may not be assigned, by operation of law or otherwise, in whole or in part, by the Company without the prior written consent of the Holder. The Holder is entitled to assign its rights hereunder, subject to compliance with applicable securities laws.

(f) Partial Invalidity. In case any one or more of the provisions of this Debenture shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Debenture shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Debenture.

(g) Governing Law; Venue; Waiver Of Jury Trial. This Debenture shall be governed by and construed exclusively in accordance with the internal laws of the State of New York without regard to the conflicts of laws principles thereof. The parties hereto hereby expressly and irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to, arising out of or under this Debenture, shall be brought solely and exclusively in a federal or state court located in the City, County and State of New York. By its execution hereof, the parties hereby expressly covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in the City, County and State of New York and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in New York City. The parties hereto expressly and irrevocably waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding (including, but not limited to, any motions made), the party prevailing therein shall be entitled to payment from the other party hereto of its reasonable counsel fees and disbursements. The Company and Holder hereby waive all rights to a trial by jury.

(h) Titles and Subtitles. The titles of the paragraphs and subparagraphs of this Debenture are for convenience of reference only and are not to be considered in construing this Debenture.

[Signature Page Follows]

IN WITNESS WHEREOF, this Debenture has been executed and delivered on the date specified above by the duly authorized representative of the Company.

Manhattan Pharmaceuticals, Inc.

By: /s/ Michael McGuinness

Name: Michael McGuinness

Title: Chief Financial Officer

FORM OF WRITTEN ELECTION TO CONVERT

(To be executed by the Holder to exercise the right to convert the foregoing Debenture into shares of Common Stock or New Securities)

To: MANHATTAN PHARMACEUTICALS, INC.

The undersigned is the Holder of Debenture No. _____ (the "**Debenture**") issued by Manhattan Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Debenture.

1. The undersigned Holder hereby exercises its right to convert \$_____ of the Stated Value of the Debenture and \$_____ of accrued interest into _____ [shares of Common Stock/New Securities] of the Company (the "**Conversion Shares**") pursuant to the Debenture.

2. Following this conversion, the Stated Value of the Debenture shall be \$_____ and the interest accrued thereon shall be equal to \$_____.

3. The Holder represents that, as of the date of exercise:

- (i) the Debenture Shares being issued pursuant to this Written Election to Convert are being acquired solely for the Holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale; and
- (ii) the Holder is an "**accredited investor**" as such term is defined in Rule 501(a)(1) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

If the Holder cannot make the representations required in Section 3(ii), above, because it is factually incorrect, it shall be a condition to the conversion of the Debenture that the Company receive such other representations as the Company considers necessary, acting reasonably, to assure the Company that the issuance of securities upon conversion of this Debenture shall not violate any United States or other applicable securities laws.

Dated: _____, _____

Name of Holder: _____
(Print)

By: _____
Name: _____
Title: _____

(Signature must conform in all respects to name of holder as specified on the face of the Debenture)

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL, IN A FORM ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

MANHATTAN PHARMACEUTICALS, INC.

WARRANT

Dated: October 28, 2009

Manhattan Pharmaceuticals, Inc., a Delaware corporation (the “**Company**”), hereby certifies that, for value received, Linden Growth Partners Master Fund LP or its Permitted Transferees (as hereinafter defined) (the “**Holder**”), is entitled to purchase from the Company up to a total of 2,222,222 shares of common stock, \$0.001 par value per share (the “**Common Stock**”), of the Company (each such share, a “**Warrant Share**” and all such shares issuable under the warrants, the “**Warrant Shares**”) at an exercise price of \$0.11 (as adjusted from time to time as provided in Section 9, the “**Exercise Price**”), at any time and from the date hereof and through October 28, 2014 (the “**Expiration Date**”), and subject to the following terms and conditions. This Warrant (“**Warrant**”) is issued pursuant to that certain Subscription Agreement, dated as of the date hereof, by and between the Company and the Holder (the “**Subscription Agreement**”).

1. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Subscription Agreement.

2. Registration of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “**Warrant Register**”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. The Company shall register the transfer and/or assignment of any portion of this Warrant (a “**Permitted Transferee**”) in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company’s transfer agent or to the Company at its address specified herein. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a “**New Warrant**”), evidencing the portion of this Warrant so transferred shall be issued to the Permitted Transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the Permitted Transferee thereof shall be deemed the acceptance by such Permitted Transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants.

(a) This Warrant shall be exercisable by the registered Holder at any time and from time to time on or after the date hereof to and including the Expiration Date. At 5:00 P.M., New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value and this Warrant shall be terminated and no longer be outstanding.

(b) The Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached hereto (the “**Exercise Notice**”), appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a “Cashless Exercise” if so indicated in the Exercise Notice pursuant to Section 10 below), and the date such items are delivered to the Company (as determined in accordance with the notice provisions hereof) is an “**Exercise Date**.”

(c) Exercise Disputes. In the case of any dispute with respect to the number of shares to be issued upon exercise of this Warrant, the Company shall promptly issue such number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the Holder via fax (or, if the Holder has not provided the Company with a fax number, by overnight courier) within five (5) Business Days of receipt of the Holder’s election to purchase Warrant Shares. If the Holder and the Company are unable to agree as to the determination of the Exercise Price within five (5) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall in accordance with this Section, submit via facsimile the disputed determination to its independent auditor. The Company shall cause its independent auditor to perform the determinations or calculations and notify the Company and the Holder of the results promptly, in writing and in sufficient detail to give the Holder and the Company a clear understanding of the issue. The determination by the Company’s independent auditor shall be binding upon all parties absent manifest error. The Company shall then on the next Business Day instruct its transfer agent to issue certificate(s) representing the appropriate number of Warrant Shares of Common Stock in accordance with the independent auditor’s determination and this Section. The prevailing party shall be entitled to reimbursement of all fees and expenses of such determination and calculation.

5. Delivery of Warrant Shares.

(a) Upon exercise of this Warrant, the Company shall promptly (but in no event later than five (5) Trading Days after the Exercise Date) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate for the Warrant Shares to which the Holder is entitled upon such exercise, free of restrictive legends unless a registration statement covering the resale of the Warrant Shares and naming the Holder as a selling stockholder thereunder is not then effective and the Warrant Shares are not freely transferable pursuant to Rule 144 under the Securities Act. To the extent the Warrant Shares may be issued free of restrictive legends as set forth above, upon request of the Holder, the Company shall use its best efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. For the purposes hereof, the term “**Trading Day**” means (a) any day on which the Common Stock is listed or quoted and traded on its primary trading market and/or quotation system, as the case may be, (b) if the Common Stock is not then listed or quoted and traded on any trading market, then a day on which trading occurs on the Nasdaq Global Market (or any successor thereto), or (c) if trading ceases to occur on the Nasdaq Global Market (or any successor thereto), any Business Day.

(b) This Warrant is exercisable, either in its entirety or, from time to time, for a portion of the number of Warrant Shares. Upon surrender of this Warrant following one or more partial exercises, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) The Company’s obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable bond or indemnity, if requested. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe.

8. **Reservation of Warrant Shares.** The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (after giving effect to the adjustments and restrictions of Section 9, if any). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed.

9. **Certain Adjustments.** The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) **Stock Dividends and Splits.** If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, or (iii) combines outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) **Additional Issuances of Equity Securities.** If the Company, at any time while this Warrant is outstanding, shall issue or sell any Equity Securities (as defined below) at an effective price per share less than the then effective Exercise Price (such lower price, the “**Base Share Price**” and such issuances collectively, a “**Dilutive Issuance**”), as adjusted hereunder (if the holder of the Equity Securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which is issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share which is less than the then effective Exercise Price, such issuance shall be deemed to have occurred for less than the then effective Exercise Price on such date of the Dilutive Issuance), then, the Exercise Price shall be reduced and only reduced to equal the Base Share Price. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 9(b) in respect of Exempt Issuances (as defined below). The Company shall notify the Holder in writing as promptly as reasonably possible following the issuance of any Equity Securities subject to this section, indicating therein the applicable issuance price, or of applicable reset price, exchange price, conversion price and other pricing terms (such notice the “**Dilutive Issuance Notice**”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 9(b), upon the occurrence of any Dilutive Issuance while this Warrant is outstanding, after the date of such Dilutive Issuance the Holder is entitled to the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Exercise Notice.

For purposes of this Section 9(b), the following definitions shall apply:

“Common Stock Equivalents” means any securities of the Company or its subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Equity Securities” means (i) Common Stock and (ii) Common Stock Equivalents.

“Exempt Issuance” means (i) any Equity Securities issued or issuable pursuant to options, warrants or other rights issued or issuable to employees, officers or directors of, or consultants or advisors to the Company or any subsidiary, pursuant to equity incentive plans or other employee benefit arrangements; (ii) any Equity Securities issued or issuable pursuant to any rights or agreements, options, warrants or convertible securities outstanding as of the issuance date of this Warrant; (iii) any Equity Securities issued or issuable for consideration other than cash pursuant to a merger, consolidation, strategic alliance, acquisition or similar business combination; (iv) any Equity Securities issued or issuable in connection with any stock split, stock dividend, distribution or recapitalization by the Company; (v) any Equity Securities issued or issuable pursuant to any equipment loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank or similar financial or lending institution; (vi) any Equity Securities issued or issuable to the Placement Agent or its affiliates in connection with the Subscription Agreement, dated as of the date hereof, between the Company and the Holder (the **“Subscription Agreement”**); and (v) any Equity Securities issued to the Holder pursuant to the Subscription Agreement.

(c) **Fundamental Transactions.** If at any time during the term of this Warrant the Company proposes to engage in a “Fundamental Transaction” (as hereinafter defined) then, and in any one or more of such cases, the Company will give to the Holder at least 10 days’ prior written notice of the date on which the books of the Company will close or a record will be taken for determining rights to vote with respect to such Fundamental Transaction. Such notice will describe the nature of the Fundamental Transaction, the date on which the holders of the Common Shares will be entitled thereto, and such notice will also specify the date on which the holders of the Common Shares will be entitled to exchange the Common Shares for securities or other property deliverable upon the consummation of the Fundamental Transaction. A “**Fundamental Transaction**” is any (i) merger or consolidation of the Company with or into (whether or not the Company is the surviving corporation) another Person, (ii) any sale, assignment, transfer, conveyance or other disposition by the Company of all or substantially all of its assets in one or a series of related transactions; provided, however, that for avoidance of doubt, the granting of a lien on all or substantially all of the Company’s assets as collateral shall not be deemed a Fundamental Transaction hereunder, (iii) purchase, tender or exchange offer by the Company (or to which the Company is a party) that will be for more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer, (iv) business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) requiring shareholder approval with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 9(a) above).

(d) The Company will not by reorganization, transfer of assets, consolidation, merger, dissolution, or otherwise, avoid or seek to avoid observance or performance of any of the terms of this Section 9, but will at all times in good faith assist in the carrying out and performance of all provisions of this Section 9 in order to protect the rights of the Holder against impairment.

(e) **Number of Warrant Shares.** Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) or (b) of this Section, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, as applicable, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased, as applicable, number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) **Calculations.** All calculations under this Section 9 shall be made to the nearest cent or the nearest share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) **Notice of Adjustments.** Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company’s Transfer Agent.

(h) **Notice of Corporate Events.** If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least ten calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. **Payment of Exercise Price.** The Holder shall pay the Exercise Price in immediately available funds (a “**Cash Exercise**”); or the Holder may satisfy its obligation to pay the Exercise Price through a “**Cashless Exercise**,” in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised (prior to cashless exercise).

A = the average of the Closing Prices for the five (5) Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of this Section 10, “**Closing Prices**” for any date, shall mean the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary trading market on which the Common Stock is then listed or quoted.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued to the Holder (provided the Securities and Exchange Commission continues to take the position that such treatment is proper at the time of such exercise).

11. Limitation on Exercise. Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), does not exceed 4.999% (the "**Maximum Percentage**") of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such exercise). For such purposes, "beneficial ownership" shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. The Company's obligation to issue shares of Common Stock in excess of the limitation referred to in this Section shall be suspended (and shall not terminate or expire notwithstanding any contrary provisions hereof) until such time, if any, as such shares of Common Stock may be issued in compliance with such limitation, but in no event later than the Expiration Date. By written notice to the Company, the Holder may waive the provisions of this Section or increase or decrease the Maximum Percentage to any other percentage specified in such notice, but any such waiver or increase will not be effective until the 61st day after such notice is delivered to the Company.

12. Fractional Shares. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. In lieu of any fractional shares which would, otherwise be issuable, subject to Section 11, the Company shall pay the Holder entitled to such fractional Warrant Share a sum in cash equal to such fraction (calculated to the nearest 1/100th of a Warrant Share) multiplied by the then effective Exercise Price.

13. Notices. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Subscription Agreement prior to 5:00 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Subscription Agreement on a day that is not a Trading Day or later than 5:00 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices or communications shall be as set forth in the Subscription Agreement.

14. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon thirty (30) days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation and/or other entity into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

15. Piggyback Registration Rights. If at any time the Company shall determine to file with the Securities and Exchange Commission a registration statement ("**Registration Statement**") relating to an offering for its own account or the account of others under the Securities Act of 1933 Act, as amended (other than on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other bona fide, employee benefit plans), the Company shall send to the Holder of this Warrant, written notice of such determination and, if within thirty (30) days after the effective date of such notice, such Holder shall so request in writing, the Company shall include in such Registration Statement all or any part of the shares such Holder requests to be registered which are issuable upon exercise of this Warrant ("**Registration Shares**"), except that if, in connection with any underwritten public offering for the account of the Company the managing underwriter(s) thereof shall impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registration Shares with respect to which such Holder has requested inclusion hereunder as the underwriter shall permit and shall be subject to any senior registration rights existing on the date hereof. Any exclusion of Registration Shares shall be made pro rata among the Holder and its registered assigns, if any, seeking to include shares in proportion to the number of equity securities sought to be included by such Holder and its registered assigns. Notwithstanding the foregoing, this Section 15 shall not apply to any registration statement filed pursuant to the Registration Rights Agreement, dated February 25, 2008, by and among the Company and Nordic Biotech Venture Fund II K/S, as amended from time to time.

16. Miscellaneous.

(a) Subject to the restrictions on transfer set forth on the first page hereof, this Warrant may be transferred or assigned by the Holder to a Permitted Transferee pursuant to Section 3 provided, that, among other things, the Permitted Transferee covenants to be bound by the terms hereof. This Warrant may not be assigned by the Company, except to a successor in the event of a Fundamental Transaction. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant.

(b) The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, seek to call or redeem this Warrant or avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against dilution or other impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares, free from all taxes, liens, security interests, encumbrances, preemptive or similar rights and charges of stockholders (other than those imposed by the Holder), on the exercise of the Warrant, and (iii) will not close its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

(c) Remedies; Specific Performance. The Company acknowledges and agrees that there would be no adequate remedy at law to the Holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant and accordingly, the Company agrees that, in addition to any other remedy to which the Holder may be entitled at law or in equity, the Holder shall be entitled to seek to compel specific performance of the obligations of the Company under this Warrant, without the posting of any bond, in accordance with the terms and conditions of this Warrant in any court of the United States or any State thereof having jurisdiction, and if any action should be brought in equity to enforce any of the provisions of this Warrant, the Company shall not raise the defense that there is an adequate remedy at law. Except as otherwise provided by law, a delay or omission by the Holder hereof in exercising any right or remedy accruing upon any such breach shall not impair the right or remedy or constitute a waiver of or acquiescence in any such breach. No remedy shall be exclusive of any other remedy. All available remedies shall be cumulative.

(d) Amendments and Waivers. The Company may, without the consent of the Holder (but with prior written notice to the Holder), by supplemental agreement or otherwise, (i) make any changes or corrections in this Agreement that are required to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or (ii) add to the covenants and agreements of the Company for the benefit of the Holder (including, without limitation, reduce the Exercise Price or extend the Expiration Date), or surrender any rights or power reserved to or conferred upon the Company in this Agreement; provided that, in the case of (i) or (ii), such changes or corrections shall not adversely affect the interests of Holder in any material respect. This Warrant may also be amended or waived with the consent of the Company and the Holder. If a new warrant agent is appointed by the Company, it shall at the request of the Company, and without need of independent inquiry as to whether such supplemental agreement is permitted by the terms of this Section 16(d), join with the Company in the execution and delivery of any such supplemental agreements, but shall not be required to join in such execution and delivery for such supplemental agreement to become effective.

(e) Governing Law; Venue; Waiver Of Jury Trial. This Warrant shall be governed by and construed exclusively in accordance with the internal laws of the State of New York without regard to the conflicts of laws principles thereof. The parties hereto hereby expressly and irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to, arising out of or under this Warrant, shall be brought solely and exclusively in a federal or state court located in the City, County and State of New York. By its execution hereof, the parties hereby expressly covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in the City, County and State of New York and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in New York City. The parties hereto expressly and irrevocably waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding (including, but not limited to, any motions made), the party prevailing therein shall be entitled to payment from the other party hereto of its reasonable counsel fees and disbursements. The Company and Holder hereby waive all rights to a trial by jury.

(f) Headings The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(g) Partial Invalidity. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

MANHATTAN PHARMACEUTICALS, INC.

By: /s/ Michael McGuinness
Name: Michael McGuinness
Title: Chief Financial Officer

FORM OF EXERCISE NOTICE

(To be executed by the Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To: MANHATTAN PHARMACEUTICALS, INC.

The undersigned is the Holder of Warrant No. _____ (the “**Warrant**”) issued by Manhattan Pharmaceuticals, Inc., a Delaware corporation (the “**Company**”). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

- (a) The Warrant is currently exercisable to purchase a total of _____ Warrant Shares.
- (b) The undersigned Holder hereby exercises its right to purchase _____ Warrant Shares pursuant to the Warrant.
- (c) The holder shall make payment of the Exercise Price as follows (check one):
_____ “Cash Exercise” under Section 10
_____ “Cashless Exercise” under Section 10
- (d) If the holder is making a Cash Exercise, the holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.
- (e) Pursuant to this exercise, the Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.
- (f) Following this exercise, the Warrant shall be exercisable to purchase a total of _____ Warrant Shares.
- (g) Notwithstanding anything to the contrary contained herein, this Exercise Notice shall constitute a representation by the Holder that, after giving effect to the exercise provided for in this Exercise Notice, the Holder (together with its affiliates) will not have beneficial ownership (together with the beneficial ownership of such Person’s affiliates) of a number of shares of Common Stock which exceeds the Maximum Percentage of the total outstanding shares of Common Stock as determined pursuant to the provisions of Section 11 of the Warrant.

(h) The Holder represents that, as of the date of exercise:

- i. the Warrant Shares being purchased pursuant to this Exercise Notice are being acquired solely for the Holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale; and
- ii. the Holder is an "**accredited investor**" as such term is defined in Rule 501(a)(1) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

(i) If the Holder cannot make the representations required in Section (f)(ii), above, because it is factually incorrect, it shall be a condition to the exercise of the Warrant that the Company receive such other representations as the Company considers necessary, acting reasonably, to assure the Company that the issuance of securities upon exercise of this Warrant shall not violate any United States or other applicable securities laws.

Dated: _____, _____

Name of Holder: _____
(Print)

By: _____

Name: _____

Title: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of Manhattan Pharmaceuticals, Inc. to which the within Warrant relates and appoints _____ attorney to transfer said right on the books of Manhattan Pharmaceuticals, Inc. with full power of substitution in the premises.

The undersigned transferee agrees to be bound by the covenants of the Warrant Holder during the term of the Warrant.

The undersigned transferee agrees represents and warrants that:

- i. the Warrant Shares being purchased pursuant to this Assignment are being acquired solely for the transferee's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale; and
- ii. the undersigned transferee is an "**accredited investor**" as such term is defined in Rule 501(a)(1) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

If the undersigned transferee cannot make the representations required in clause (ii) above, above, because it is factually incorrect, it shall be a condition to the transfer of the Warrant that the Company receive such other representations as the Company considers necessary, acting reasonably, to assure the Company that the transfer this Warrant shall not violate any United States or other applicable securities laws.

Dated: _____, _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

Signature of Transferee

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL, IN A FORM ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

MANHATTAN PHARMACEUTICALS, INC.

FORM OF WARRANT

Dated: October 28, 2009

Manhattan Pharmaceuticals, Inc., a Delaware corporation (the “**Company**”), hereby certifies that, for value received, _____ or its Permitted Transferees (as hereinafter defined) (the “**Holder**”), is entitled to purchase from the Company up to a total of _____ shares of common stock, \$0.001 par value per share (the “**Common Stock**”), of the Company (each such share, a “**Warrant Share**” and all such shares issuable under the warrants, the “**Warrant Shares**”) at an exercise price of \$0.11 (as adjusted from time to time as provided in Section 9, the “**Exercise Price**”), at any time and from the date hereof and through October 28, 2014 (the “**Expiration Date**”), and subject to the following terms and conditions. This Warrant (“**Warrant**”) is issued pursuant to that certain Placement Agent Letter, dated as of the date hereof, by and between the Company and the Holder (the “**Placement Agent Letter**”).

1. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Subscription Agreement, dated as of the date hereof (the “**Subscription Agreement**”), between the Company and Linden Growth Partners Master Fund (the “**Investor**”).

2. Registration of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “**Warrant Register**”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. The Company shall register the transfer and/or assignment of any portion of this Warrant (a “**Permitted Transferee**”) in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto duly completed and signed, to the Company’s transfer agent or to the Company at its address specified herein. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a “**New Warrant**”), evidencing the portion of this Warrant so transferred shall be issued to the Permitted Transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the Permitted Transferee thereof shall be deemed the acceptance by such Permitted Transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants.

(a) This Warrant shall be exercisable by the registered Holder at any time and from time to time on or after the date hereof to and including the Expiration Date. At 5:00 P.M., New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value and this Warrant shall be terminated and no longer be outstanding.

(b) The Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached hereto (the “**Exercise Notice**”), appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a “Cashless Exercise” if so indicated in the Exercise Notice pursuant to Section 10 below), and the date such items are delivered to the Company (as determined in accordance with the notice provisions hereof) is an “**Exercise Date**.”

(c) Exercise Disputes. In the case of any dispute with respect to the number of shares to be issued upon exercise of this Warrant, the Company shall promptly issue such number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the Holder via fax (or, if the Holder has not provided the Company with a fax number, by overnight courier) within five (5) Business Days of receipt of the Holder’s election to purchase Warrant Shares. If the Holder and the Company are unable to agree as to the determination of the Exercise Price within five (5) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall in accordance with this Section, submit via facsimile the disputed determination to its independent auditor. The Company shall cause its independent auditor to perform the determinations or calculations and notify the Company and the Holder of the results promptly, in writing and in sufficient detail to give the Holder and the Company a clear understanding of the issue. The determination by the Company’s independent auditor shall be binding upon all parties absent manifest error. The Company shall then on the next Business Day instruct its transfer agent to issue certificate(s) representing the appropriate number of Warrant Shares of Common Stock in accordance with the independent auditor’s determination and this Section. The prevailing party shall be entitled to reimbursement of all fees and expenses of such determination and calculation.

5. Delivery of Warrant Shares.

(a) Upon exercise of this Warrant, the Company shall promptly (but in no event later than five (5) Trading Days after the Exercise Date) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate for the Warrant Shares to which the Holder is entitled upon such exercise, free of restrictive legends unless a registration statement covering the resale of the Warrant Shares and naming the Holder as a selling stockholder thereunder is not then effective and the Warrant Shares are not freely transferable pursuant to Rule 144 under the Securities Act. To the extent the Warrant Shares may be issued free of restrictive legends as set forth above, upon request of the Holder, the Company shall use its best efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. For the purposes hereof, the term “**Trading Day**” means (a) any day on which the Common Stock is listed or quoted and traded on its primary trading market and/or quotation system, as the case may be, (b) if the Common Stock is not then listed or quoted and traded on any trading market, then a day on which trading occurs on the Nasdaq Global Market (or any successor thereto), or (c) if trading ceases to occur on the Nasdaq Global Market (or any successor thereto), any Business Day.

(b) This Warrant is exercisable, either in its entirety or, from time to time, for a portion of the number of Warrant Shares. Upon surrender of this Warrant following one or more partial exercises, the Company shall issue or cause to be issued, at its expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) The Company’s obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses. Issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable bond or indemnity, if requested. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe.

8. **Reservation of Warrant Shares.** The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares which are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (after giving effect to the adjustments and restrictions of Section 9, if any). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed.

9. **Certain Adjustments.** The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) **Stock Dividends and Splits.** If the Company, at any time while this Warrant is outstanding, (i) pays a stock dividend on its Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides outstanding shares of Common Stock into a larger number of shares, or (iii) combines outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination.

(b) **Additional Issuances of Equity Securities.** If the Company, at any time while this Warrant is outstanding, shall issue or sell any Equity Securities (as defined below) at an effective price per share less than the then effective Exercise Price (such lower price, the “**Base Share Price**” and such issuances collectively, a “**Dilutive Issuance**”), as adjusted hereunder (if the holder of the Equity Securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which is issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share which is less than the then effective Exercise Price, such issuance shall be deemed to have occurred for less than the then effective Exercise Price on such date of the Dilutive Issuance), then, the Exercise Price shall be reduced and only reduced to equal the Base Share Price. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 9(b) in respect of Exempt Issuances (as defined below). The Company shall notify the Holder in writing as promptly as reasonably possible following the issuance of any Equity Securities subject to this section, indicating therein the applicable issuance price, or of applicable reset price, exchange price, conversion price and other pricing terms (such notice the “**Dilutive Issuance Notice**”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 9(b), upon the occurrence of any Dilutive Issuance while this Warrant is outstanding, after the date of such Dilutive Issuance the Holder is entitled to the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Exercise Notice.

For purposes of this Section 9(b), the following definitions shall apply:

“Common Stock Equivalents” means any securities of the Company or its subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Equity Securities” means (i) Common Stock and (ii) Common Stock Equivalents.

“Exempt Issuance” means (i) any Equity Securities issued or issuable pursuant to options, warrants or other rights issued or issuable to employees, officers or directors of, or consultants or advisors to the Company or any subsidiary, pursuant to equity incentive plans or other employee benefit arrangements; (ii) any Equity Securities issued or issuable pursuant to any rights or agreements, options, warrants or convertible securities outstanding as of the issuance date of this Warrant; (iii) any Equity Securities issued or issuable for consideration other than cash pursuant to a merger, consolidation, strategic alliance, acquisition or similar business combination; (iv) any Equity Securities issued or issuable in connection with any stock split, stock dividend, distribution or recapitalization by the Company; (v) any Equity Securities issued or issuable pursuant to any equipment loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank or similar financial or lending institution; (vi) any Equity Securities issued or issuable to the Investor or its affiliates in connection with the Subscription Agreement; and (v) any Equity Securities issued to the Holder or its affiliates pursuant to the Placement Agent Letter.

(c) **Fundamental Transactions.** If at any time during the term of this Warrant the Company proposes to engage in a “Fundamental Transaction” (as hereinafter defined) then, and in any one or more of such cases, the Company will give to the Holder at least 10 days’ prior written notice of the date on which the books of the Company will close or a record will be taken for determining rights to vote with respect to such Fundamental Transaction. Such notice will describe the nature of the Fundamental Transaction, the date on which the holders of the Common Shares will be entitled thereto, and such notice will also specify the date on which the holders of the Common Shares will be entitled to exchange the Common Shares for securities or other property deliverable upon the consummation of the Fundamental Transaction. A “**Fundamental Transaction**” is any (i) merger or consolidation of the Company with or into (whether or not the Company is the surviving corporation) another Person, (ii) any sale, assignment, transfer, conveyance or other disposition by the Company of all or substantially all of its assets in one or a series of related transactions; provided, however, that for avoidance of doubt, the granting of a lien on all or substantially all of the Company’s assets as collateral shall not be deemed a Fundamental Transaction hereunder, (iii) purchase, tender or exchange offer by the Company (or to which the Company is a party) that will be for more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer, (iv) business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) requiring shareholder approval with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 9(a) above).

(d) The Company will not by reorganization, transfer of assets, consolidation, merger, dissolution, or otherwise, avoid or seek to avoid observance or performance of any of the terms of this Section 9, but will at all times in good faith assist in the carrying out and performance of all provisions of this Section 9 in order to protect the rights of the Holder against impairment.

(e) **Number of Warrant Shares.** Simultaneously with any adjustment to the Exercise Price pursuant to paragraph (a) or (b) of this Section, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, as applicable, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased, as applicable, number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) **Calculations.** All calculations under this Section 9 shall be made to the nearest cent or the nearest share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) **Notice of Adjustments.** Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company’s Transfer Agent.

(h) **Notice of Corporate Events.** If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least ten calendar days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

10. **Payment of Exercise Price.** The Holder shall pay the Exercise Price in immediately available funds (a “**Cash Exercise**”); or the Holder may satisfy its obligation to pay the Exercise Price through a “**Cashless Exercise**,” in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised (prior to cashless exercise).

A = the average of the Closing Prices for the five (5) Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of this Section 10, “**Closing Prices**” for any date, shall mean the closing price per share of the Common Stock for such date (or the nearest preceding date) on the primary trading market on which the Common Stock is then listed or quoted.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued to the Holder (provided the Securities and Exchange Commission continues to take the position that such treatment is proper at the time of such exercise).

11. Limitation on Exercise. Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), does not exceed 4.999% (the "**Maximum Percentage**") of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such exercise). For such purposes, "beneficial ownership" shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. The Company's obligation to issue shares of Common Stock in excess of the limitation referred to in this Section shall be suspended (and shall not terminate or expire notwithstanding any contrary provisions hereof) until such time, if any, as such shares of Common Stock may be issued in compliance with such limitation, but in no event later than the Expiration Date. By written notice to the Company, the Holder may waive the provisions of this Section or increase or decrease the Maximum Percentage to any other percentage specified in such notice, but any such waiver or increase will not be effective until the 61st day after such notice is delivered to the Company.

12. Fractional Shares. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. In lieu of any fractional shares which would, otherwise be issuable, subject to Section 11, the Company shall pay the Holder entitled to such fractional Warrant Share a sum in cash equal to such fraction (calculated to the nearest 1/100th of a Warrant Share) multiplied by the then effective Exercise Price.

13. Notices. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified on the signature page of the Placement Agent Letter prior to 5:00 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified on the signature page of the Placement Agent Letter on a day that is not a Trading Day or later than 5:00 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices or communications shall be as set forth on the signature page of the Placement Agent Letter.

14. Warrant Agent. The Company shall serve as warrant agent under this Warrant. Upon thirty (30) days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation and/or other entity into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

15. **Piggyback Registration Rights.** If at any time the Company shall determine to file with the Securities and Exchange Commission a registration statement ("**Registration Statement**") relating to an offering for its own account or the account of others under the Securities Act of 1933 Act, as amended (other than on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other bona fide, employee benefit plans), the Company shall send to the Holder of this Warrant, written notice of such determination and, if within thirty (30) days after the effective date of such notice, such Holder shall so request in writing, the Company shall include in such Registration Statement all or any part of the shares such Holder requests to be registered which are issuable upon exercise of this Warrant ("**Registration Shares**"), except that if, in connection with any underwritten public offering for the account of the Company the managing underwriter(s) thereof shall impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registration Shares with respect to which such Holder has requested inclusion hereunder as the underwriter shall permit and shall be subject to any senior registration rights existing on the date hereof. Any exclusion of Registration Shares shall be made pro rata among the Holder and its registered assigns, if any, seeking to include shares in proportion to the number of equity securities sought to be included by such Holder and its registered assigns. Notwithstanding the foregoing, this Section 15 shall not apply to any registration statement filed pursuant to the Registration Rights Agreement, dated February 25, 2008, by and among the Company and Nordic Biotech Venture Fund II K/S, as amended from time to time.

16. Miscellaneous.

(a) Subject to the restrictions on transfer set forth on the first page hereof, this Warrant may be transferred or assigned by the Holder to a Permitted Transferee pursuant to Section 3 provided, that, among other things, the Permitted Transferee covenants to be bound by the terms hereof. This Warrant may not be assigned by the Company, except to a successor in the event of a Fundamental Transaction. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant.

(b) The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, seek to call or redeem this Warrant or avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against dilution or other impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares, free from all taxes, liens, security interests, encumbrances, preemptive or similar rights and charges of stockholders (other than those imposed by the Holder), on the exercise of the Warrant, and (iii) will not close its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

(c) Remedies; Specific Performance. The Company acknowledges and agrees that there would be no adequate remedy at law to the Holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant and accordingly, the Company agrees that, in addition to any other remedy to which the Holder may be entitled at law or in equity, the Holder shall be entitled to seek to compel specific performance of the obligations of the Company under this Warrant, without the posting of any bond, in accordance with the terms and conditions of this Warrant in any court of the United States or any State thereof having jurisdiction, and if any action should be brought in equity to enforce any of the provisions of this Warrant, the Company shall not raise the defense that there is an adequate remedy at law. Except as otherwise provided by law, a delay or omission by the Holder hereof in exercising any right or remedy accruing upon any such breach shall not impair the right or remedy or constitute a waiver of or acquiescence in any such breach. No remedy shall be exclusive of any other remedy. All available remedies shall be cumulative.

(d) Amendments and Waivers. The Company may, without the consent of the Holder (but with prior written notice to the Holder), by supplemental agreement or otherwise, (i) make any changes or corrections in this Agreement that are required to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or (ii) add to the covenants and agreements of the Company for the benefit of the Holder (including, without limitation, reduce the Exercise Price or extend the Expiration Date), or surrender any rights or power reserved to or conferred upon the Company in this Agreement; provided that, in the case of (i) or (ii), such changes or corrections shall not adversely affect the interests of Holder in any material respect. This Warrant may also be amended or waived with the consent of the Company and the Holder. If a new warrant agent is appointed by the Company, it shall at the request of the Company, and without need of independent inquiry as to whether such supplemental agreement is permitted by the terms of this Section 16(d), join with the Company in the execution and delivery of any such supplemental agreements, but shall not be required to join in such execution and delivery for such supplemental agreement to become effective.

(e) Governing Law; Venue; Waiver Of Jury Trial. This Warrant shall be governed by and construed exclusively in accordance with the internal laws of the State of New York without regard to the conflicts of laws principles thereof. The parties hereto hereby expressly and irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to, arising out of or under this Warrant, shall be brought solely and exclusively in a federal or state court located in the City, County and State of New York. By its execution hereof, the parties hereby expressly covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in the City, County and State of New York and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in New York City. The parties hereto expressly and irrevocably waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding (including, but not limited to, any motions made), the party prevailing therein shall be entitled to payment from the other party hereto of its reasonable counsel fees and disbursements. The Company and Holder hereby waive all rights to a trial by jury.

(f) Headings The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(g) Partial Invalidity. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

MANHATTAN PHARMACEUTICALS, INC.

By:

Name: Michael McGuinness

Title: Chief Financial Officer

FORM OF EXERCISE NOTICE

(To be executed by the Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant)

To: MANHATTAN PHARMACEUTICALS, INC.

The undersigned is the Holder of Warrant No. _____ (the "**Warrant**") issued by Manhattan Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

- (a) The Warrant is currently exercisable to purchase a total of _____ Warrant Shares.
 - (b) The undersigned Holder hereby exercises its right to purchase _____ Warrant Shares pursuant to the Warrant.
 - (c) The holder shall make payment of the Exercise Price as follows (check one):
_____ "Cash Exercise" under Section 10
_____ "Cashless Exercise" under Section 10
 - (d) If the holder is making a Cash Exercise, the holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.
 - (e) Pursuant to this exercise, the Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.
 - (f) Following this exercise, the Warrant shall be exercisable to purchase a total of _____ Warrant Shares.
 - (g) Notwithstanding anything to the contrary contained herein, this Exercise Notice shall constitute a representation by the Holder that, after giving effect to the exercise provided for in this Exercise Notice, the Holder (together with its affiliates) will not have beneficial ownership (together with the beneficial ownership of such Person's affiliates) of a number of shares of Common Stock which exceeds the Maximum Percentage of the total outstanding shares of Common Stock as determined pursuant to the provisions of Section 11 of the Warrant.
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(h) The Holder represents that, as of the date of exercise:

- i. the Warrant Shares being purchased pursuant to this Exercise Notice are being acquired solely for the Holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale; and
- ii. the Holder is an "**accredited investor**" as such term is defined in Rule 501(a)(1) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

(i) If the Holder cannot make the representations required in Section (f)(ii), above, because it is factually incorrect, it shall be a condition to the exercise of the Warrant that the Company receive such other representations as the Company considers necessary, acting reasonably, to assure the Company that the issuance of securities upon exercise of this Warrant shall not violate any United States or other applicable securities laws.

Dated: _____, _____

Name of Holder: _____
(Print)

By: _____

Name: _____

Title: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of Manhattan Pharmaceuticals, Inc. to which the within Warrant relates and appoints _____ attorney to transfer said right on the books of Manhattan Pharmaceuticals, Inc. with full power of substitution in the premises.

The undersigned transferee agrees to be bound by the covenants of the Warrant Holder during the term of the Warrant.

The undersigned transferee agrees represents and warrants that:

- i. the Warrant Shares being purchased pursuant to this Assignment are being acquired solely for the transferee's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale; and
- ii. the undersigned transferee is an "**accredited investor**" as such term is defined in Rule 501(a)(1) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

If the undersigned transferee cannot make the representations required in clause (ii) above, because it is factually incorrect, it shall be a condition to the transfer of the Warrant that the Company receive such other representations as the Company considers necessary, acting reasonably, to assure the Company that the transfer this Warrant shall not violate any United States or other applicable securities laws.

Dated: _____, _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

Signature of Transferee
