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

FORM 8-K/A

AMENDMENT NO. 1 TO CURRENT REPORT

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

Date of Report (Date of earliest event reported): April 1, 2005

Manhattan Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**000-27282**	**36-3898269**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

810 Seventh Avenue, 4th Floor **New York, New York**	**10019**
(Address of principal executive offices)	(Zip Code)

(212) 582-3950
(Registrant's telephone number, including area code)

(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:

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

Item 2.01. Completion of Acquisition or Disposition of Assets.

As previously reported by the Registrant in its Current Report Form 8-K dated April 1, 2005 and filed April 7, 2005, on April 1, 2005, the Registrant acquired Tarpan Therapeutics, Inc. in a merger transaction. The disclosures set forth under Items 1.01 and 2.01 of such Form 8-K are hereby incorporated by reference into this Item 2.01 of this amended report. The financial statements of Tarpan Therapeutics, Inc., as well as pro forma financial information, are contained herein under Item 9.01 of this report.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The financial statements of Tarpan Therapeutics, Inc. are included in this report beginning at page F-1, below (following the signature page).

(b) Pro Forma Financial Information.

Pro forma financial information is included in this report beginning at page F-19, below.

(c) Exhibits.

2.1 Agreement and Plan of Merger dated April 1, 2005 by and among the Registrant, Tarpan Therapeutics, Inc. and Tarpan Acquisition Corp.

10.1 Employment Agreement dated April 1, 2005 between the Registrant and Douglas Abel.

SIGNATURES

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: June 15, 2005

By: /s/ Nicholas J. Rossettos

Nicholas J. Rossettos

Chief Financial Officer

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TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

Condensed Balance Sheets
March 31, 2005 and December 31, 2004
(Unaudited)

Assets	March 31, 2005	December 31, 2004
Current assets:		
Cash	$ 6,777	$ 12,202
Total current assets	6,777	12,202
Computer equipment, net	2,037	2,156
Total assets	$ 8,814	$ 14,358
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 26,052	$ 4,939
Accrued interest - related parties	17,318	11,397
Due to related parties	3,381	—
Total liabilities	46,751	16,336
Notes payable - related parties	630,702	550,702
Total liabilities	677,453	567,038
Commitments		
Stockholders' deficiency:		
Preferred stock, $.001 par value; 5,000,000 shares authorized; none issued	—	—
Common stock, $.001 par value; 20,000,000 shares authorized; 4,000,000 shares issued and outstanding	4,000	4,000
Deferred compensation	(118,668)	(129,970)
Additional paid-in capital	135,621	135,621
Deficit accumulated during development stage	(689,592)	(562,331)
Total stockholders' deficiency	(668,639)	(552,680)
Total liabilities and stockholders' deficiency	$ 8,814	$ 14,358

See accompanying notes to unaudited condensed financial statements.

TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

Condensed Statements of Operations
Three months ended March 31, 2005 and 2004 and cumulative period from July 16, 2003 (inception) to March 31, 2005
(Unaudited)

	Three months ended March 31,		Cumulative period from July 16, 2003 (inception) to March 31,
	2005	**2004**	**2005**
Operating expenses:			
Research and development, principally license fee	$ —	$ 25,000	$ 307,555
General and administrative	119,901	—	363,280
Total operating expenses	119,901	25,000	670,835
Loss from operations	(119,901)	(25,000)	(670,835)
Interest expense	(7,360)	—	(18,757)
Net loss	$ (127,261)	$ (25,000)	$ (689,592)

See accompanying notes to unaudited condensed financial statements.

TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

Condensed Statement of Stockholders' Deficiency
For the three months ended March 31, 2005
(Unaudited)

	Common stock		Deferred compensation	Additional paid-in capital	Deficit accumulated during the development stage	Total stock–holders' deficiency
	Shares	Amount				
Balance at January 1, 2005	4,000,000	$ 4,000	$ (129,970)	$ 135,621	$ (562,331)	$ (552,680)
Amortization of deferred compensation	—	—	11,302	—	—	11,302
Net loss	—	—	—	—	(127,261)	(127,261)
Balance at March 31, 2005	4,000,000	$ 4,000	$ (118,668)	$ 135,621	$ (689,592)	$ (668,639)

See accompanying notes to unaudited condensed financial statements.

TARPAN THERAPEUTICS. INC.
(A Development Stage Company)

Condensed Statements of Cash Flows
Three months ended March 31, 2005 and 2004 and cumulative period from July 16, 2003 (inception) to March 31, 2005
(Unaudited)

	Three months ended March 31,		Cumulative period from July 16, 2003 (inception) to March 31,
	2005	**2004**	**2005**
Cash flows from operating activities:			
Net loss	$ (127,261)	$ (25,000)	$ (689,592)
Adjustments to reconcile net loss to net cash used in operating activities:			
Expenses paid by related entities on behalf of company	3,381	—	309,083
Amortization of deferred compensation	11,302	—	16,953
Depreciation	119	—	359
Changes in operating assets and liabilities:			
Accounts payable and accrued expenses	21,113	—	26,052
Accrued interest - related parties	5,921	—	17,318
Net cash used in operating activities	(85,425)	(25,000)	(319,827)
Cash flows from investing activities:			
Purchase of computer equipment	—	—	(2,396)
Net cash used in investing activities	—	—	(2,396)
Cash flows from financing activities:			
Proceeds from notes from related parties	80,000	25,000	325,000
Receipt of cash for subscription receivable	—	—	4,000
Net cash provided by financing activities	80,000	25,000	329,000
Net increase (decrease) in cash	(5,425)	—	6,777
Cash at beginning of period	12,202	—	—
Cash at end of period	$ 6,777	$ —	$ 6,777
Supplemental disclosure of cash flow information:			
Stock options granted to the Company's Chief Executive Officer	$ —	$ —	$ 135,621

See accompanying notes to unaudited condensed financial statements.

TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2005

(1) BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of Tarpan Therapeutics, Inc. ("Tarpan" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, the financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete annual financial statements. In the opinion of management, the accompanying unaudited condensed financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2005 or for any subsequent period. These unaudited condensed financial statements should be read in conjunction with the audited financial statements included elsewhere in this Form 8-K/A.

(2) LIQUIDITY

On April 1, 2005, Manhattan Pharmaceuticals, Inc. ("Manhattan") entered into an Agreement and Plan of Merger ("the Agreement") with Tarpan. Pursuant to the Agreement, Manhattan issued 10,731,052 shares of its common stock to Tarpan's stockholders in exchange for 100% of the outstanding common stock of Tarpan. Manhattan is a pharmaceutical company that acquires and develops proprietary prescription drugs.

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. For the three months ended March 31, 2005 and from inception, the Company has reported a net loss of $689,592 and negative cash flows from operating activities of $319,827 and, at March 31, 2005, it had a working capital deficiency of $39,974 and a stockholders' deficiency of $668,639. As discussed above, Manhattan acquired 100% of Tarpan's assets and assumed 100% of its liabilities. Manhattan has also incurred losses from inception and as of March 31, 2005, had a deficit accumulated during the development stage of $15,508,580. Based on the resources available to the Company and Manhattan, at March 31, 2005, management believes that the combined company will continue to incur net losses through at least March 31, 2006 and will need additional equity or debt financing or will need to generate revenues from the licensing of its products or by entering into strategic alliances to be able to sustain its operations until it can achieve profitability, if ever. These matters raise substantial doubt about the Company's ability to continue as a going concern. The condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(3) STOCK OPTIONS

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), provides for the use of a fair value based method of accounting for employee stock compensation. The Company has elected to account for employee stock options using the fair value based method of accounting.

On November 14, 2004, the Company granted stock options to the Company's Chief Executive Officer to purchase 301,000 shares of the Company's common stock at an exercise price of $2.00 per share. These options vest equally over a three-year period and expire on November 14, 2014. The Company valued the options on the date of grant using the minimum value method and recorded a deferred stock-based compensation charge of $135,621, which represents the estimated fair value of the options granted. Such amount is being amortized over the vesting period of the stock options on a straight-line basis. The Company recorded compensation expense of $11,302 for the three months ended March 31, 2005 in conjunction with this grant. There were no options granted during the first quarter of 2005.

(4) RELATED PARTY TRANSACTIONS

Note Payable

At various times during the three months ended March 31, 2005, the Company issued 5% promissory notes payable totaling $80,000 to Paramount BioCapital Investments, LLC, an affiliate of a significant stockholder of the Company. These notes and other notes previously issued to related parties which had an aggregate balance of $630,702 at March 31, 2005 were initially due to mature on various dates from January 2007 through December 2007 (see Note 5).

Administrative Services

The Company pays monthly fees for administrative services of $500 to Paramount BioCapital Investments, LLC. For the three months ended March 31, 2005, the Company has accrued $1,500 for administrative services.

(5) SUBSEQUENT EVENTS

On April 1, 2005, the Company entered into the Agreement and Plan of Merger (the “Agreement”) with Manhattan Pharmaceuticals, Inc., a Delaware corporation (“Manhattan”), and Tarpan Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Manhattan (“TAC”). The Agreement provided that TAC would merge with and into the Company, with the Company remaining as the surviving corporation and a wholly-owned subsidiary of Manhattan (the “Merger”). The Merger was completed April 1, 2005. In consideration for their shares of capital stock and in accordance with the Agreement, the stockholders of the Company received a number of shares of Manhattan’s common stock such that, upon the effective time of the Merger, the Company’s stockholders collectively received (or are entitled to receive) approximately 20 percent of Manhattan’s outstanding common stock on a fully-diluted basis (i.e., assuming the issuance of common stock underlying outstanding options, warrants and other rights). Based on the number of fully-diluted outstanding shares of Manhattan’s common stock on the date of the Merger, the Company’s stockholders as of April 1, 2005 will receive an aggregate of 10,731,052 shares of Manhattan’s common stock in the Merger. At the time of the Merger, the Company had outstanding indebtedness of approximately $651,000 resulting from a series of promissory notes issued to Paramount BioCapital Investments, LLC and Horizon BioMedical Ventures, LLC, both of which are owned or controlled by Dr. Lindsay Rosenwald. The notes were amended at the time of the Merger to provide that one-half of the outstanding indebtedness was payable upon completion of the Merger and the remaining one-half will be payable at such time as Manhattan raises at least $5 million in new financing.

Several of the Company’s former stockholders are directors or significant stockholders of Manhattan. Dr. Rosenwald and various trusts established for the benefit of Dr. Rosenwald and members of his immediate family collectively beneficially owned approximately 46 percent of our common stock and beneficially own approximately 26 percent Manhattan’s common stock. In addition, Joshua Kazam, David Tanen, Dr. Michael Weiser and Timothy McInerney, all of whom are members of Manhattan’s board of directors, collectively owned approximately 13.4 percent of the Company's outstanding common stock. Dr. Weiser and Mr. McInerney are also employed by Paramount BioCapital, Inc., an entity owned and controlled by Dr. Rosenwald.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Tarpan Therapeutics, Inc.

We have audited the accompanying balance sheets of Tarpan Therapeutics, Inc. (A Development Stage Company) as of December 31, 2004 and 2003, and the related statements of operations, changes in stockholders' deficiency and cash flows for the year ended December 31, 2004, the period from July 16, 2003 (Inception) to December 31, 2003 and the cumulative amounts for the period from July 16, 2003 (Inception) to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tarpan Therapeutics, Inc. as of December 31, 2004 and 2003, and its results of operations and cash flows for the year ended December 31, 2004, the period from July 16, 2003 (Inception) to December 31, 2003 and the cumulative amounts for the period from July 16, 2003 (Inception) to December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have prepared assuming that the Company will continue as a going concern. As discussed in Note 1, from its inception the Company has incurred net losses and negative cash flows from operating activities and had working capital and stockholders' deficiencies at December 31, 2004. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/J.H. Cohn LLP

Roseland, New Jersey
April 1, 2005

TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

ASSETS	2004	2003
Current assets - cash	$ 12,202	$ —
Computer equipment, net of accumulated depreciation of $240	2,156	—
Totals	$ 14,358	$ —
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,939	$ —
Accrued interest - related parties	11,397	—
Total current liabilities	16,336	—
Notes payable - related parties	550,702	—
Total liabilities	567,038	$ —
Commitments		
Stockholders' deficiency:		
Preferred stock, $.001 par value; 5,000,000 shares authorized; none issued	—	—
Common stock, $.001 par value; 20,000,000 shares authorized, 4,000,000 shares issued and outstanding	4,000	4,000
Less stock subscription receivable		(4,000)
Deferred compensation	(129,970)	—
Additional paid-in capital	135,621	—
Deficit accumulated during the development stage	(562,331)	—
Total stockholders' deficiency	(552,680)	—
Totals	$ 14,358	$ —

See Notes to Financial Statements.

TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2004, PERIOD FROM JULY 16, 2003
(Inception) TO DECEMBER 31, 2003 AND
PERIOD FROM JULY 16, 2003 (Inception) TO DECEMBER 31, 2004

	Year Ended December 31, 2004	Period from July 16, 2003 (Inception) to December 31, 2003	Period from July 16, 2003 (Inception) to December 31, 2004
Operating expenses:			
Research and development, principally license fee	$ 307,555		$ 307,555
General and administrative	243,379		243,379
Totals	550,934		550,934
Loss from operations	(550,934)		(550,934)
Interest expense	(11,397)		(11,397)
Net loss	$ (562,331)	$ —	$ (562,331)

See Notes to Financial Statements.

TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY
YEAR ENDED DECEMBER 31, 2004 AND PERIOD FROM JULY 16, 2003 (Inception) TO DECEMBER 31, 2003

	Common Stock		Stock Subscription Receivable	Deferred Compensation	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount					
Issuance of common stock to founders in July 2003 at $.001 per share	4,000,000	$ 4,000	$ (4,000)				
Balance, December 31, 2003	4,000,000	4,000	(4,000)				
Payments received for stock subscriptions from founders			4,000				$ 4,000
Issuance of stock options				$ (135,621)	$ 135,621		
Amortization of deferred compensation				5,651			5,651
Net loss						$ (562,331)	(562,331)
Balance, December 31, 2004	4,000,000	$ 4,000	$ —	$ (129,970)	$ 135,621	$ (562,331)	$ (552,680)

See Notes to Financial Statements.

TARPAN THERAPEUTICS, INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004,
PERIOD FROM JULY 16, 2003 (Inception) TO DECEMBER 31, 2003 AND
THE PERIOD FROM JULY 16, 2003 (Inception) TO DECEMBER 31, 2004

	Year Ended December 31, 2004	Period from July 16, 2003 (Inception) to December 31, 2003	Period from July 16, 2003 (Inception) to December 31, 2004
Cash flows from operating activities:			
Net loss	$ (562,331)		$ (562,331)
Adjustments to reconcile net loss to net cash used in operating activities:			
Expenses paid by related entities on behalf of the Company	305,702		305,702
Amortization of deferred compensation	5,651		5,651
Depreciation	240		240
Changes in operating assets and liabilities:			
Accounts payable and accrued expenses	4,939		4,939
Accrued interest - related parties	11,397		11,397
Net cash used in operating activities	(234,402)		(234,402)
Cash flows from investing activities - purchase of computer equipment	(2,396)		(2,396)
Cash flows from financing activities:			
Proceeds from notes from related parties	245,000		245,000
Receipt of cash for stock subscription receivable	4,000		4,000
Net cash provided by financing activities	249,000		249,000
Net increase in cash	12,202	$ —	12,202
Cash, beginning of period	—	—	—
Cash, end of period	$ 12,202	$ —	$ 12,202
Supplemental schedule of noncash financing activities:			
Stock options granted to the Company's Chief Executive Officer	$ 135,621		$ 135,621

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Business, basis of presentation and summary of significant accounting policies:

Business:

Tarpan Therapeutics, Inc. ("Tarpan" or the "Company") was incorporated in the State of Delaware on July 16, 2003. Tarpan is a specialty pharmaceutical company focused on the acquisition, development and commercialization of innovative pharmaceutical products. The Company's currently licensed compound targets the treatment of skin disorders.

Basis of presentation:

The Company's primary activities since incorporation have been organizational activities, including recruiting personnel, establishing office facilities, payment of a license fee, performing business and financial planning and raising capital through the issuance of notes payable. Accordingly, the Company is considered to be in the development stage.

On April 1, 2005, Manhattan Pharmaceuticals, Inc. ("Manhattan") entered into an Agreement and Plan of Merger (the "Agreement") with Tarpan. Pursuant to the Agreement, Manhattan issued 10,731,052 shares of its common stock to Tarpan's stockholders in exchange for 100% of the outstanding common stock of Tarpan. Manhattan is a pharmaceutical company that acquires and develops proprietary prescription drugs.

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. For the year ended December 31, 2004 and from inception, the Company has reported a net loss of $562,331 and negative cash flows from operating activities of $234,402 and, at December 31, 2004, it had a working capital deficiency of $4,134 and a stockholders' deficiency of $552,680. As discussed above, Manhatan acquired 100% of Tarpan's assets and assumed 100% of its liabilities. Manhattan has also incurred losses from inception and as of December 31, 2004, had a deficit accumulated during the development stage of $13,955,035. Based on the resources available to the Company and Manhattan, at December 31, 2004, management believes that the combined company will continue to incur net losses through at least December 31, 2005 and will need additional equity or debt financing or will need to generate revenues from the licensing of its products or by entering into strategic alliances to be able to sustain its operations until it can achieve profitability, if ever. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1 - Business, basis of presentation and summary of significant accounting policies (continued):

Computer equipment:

Computer equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the related asset of five years.

Research and development:

Research and development costs are expensed as incurred.

In 2004, the Company incurred costs of $300,000 for license fees which have been expensed (see Note 3).

Income taxes:

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," a deferred tax asset or liability is determined based on temporary differences between the financial statement and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these assets and liabilities are expected to be recovered or settled. The Company provides a valuation allowance when it is more likely than not that the net deferred tax assets will not be realized.

Stock-based compensation:

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), provides for the use of a fair value based method of accounting for employee stock compensation. The Company has elected to account for employee stock options using the fair value based method of accounting.

On November 14, 2004, the Company granted stock options to the Company's Chief Executive Officer to purchase 301,000 shares of the Company's common stock at an exercise price of $2.00 per share. These options vest equally over a three-year period and expire on November 14, 2014. The Company valued the options on the date of grant using the minimum value method and recorded a deferred stock-based compensation charge of $135,621, which represents the estimated fair value of the options granted. Such amount will be amortized over the vesting period of the stock options on a straight-line basis. The Company recorded compensation expense of $5,651 for the year ended December 31, 2004 in conjunction with this grant. The expected future amortization expense for the deferred stock-based compensation for stock option grants through December 31, 2004 is as follows:

Note 1 - Business, basis of presentation and summary of significant accounting policies (concluded):

Stock-based compensation (concluded):

Year Ending December 31,		Amount
2005	$	45,207
2006		45,207
2007		39,556
Total	$	129,970

The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2004	2003
Dividend yield	0%	N/A
Risk-free interest rate	3.68%	N/A
Volatility	0%	N/A
Expected life	7 years	N/A

Note 2 - Related party transactions:

Notes payable:

At various times during 2004, the Company issued 5% promissory notes payable totaling $550,702 to both Paramount BioCapital Investments, LLC and Horizon Biomedical Ventures LLC, both of which are affiliates of a significant stockholder of Tarpan. These notes mature on various dates from January 2007 through December 2007 (see Note 7). The Company received proceeds totaling $245,000 from these notes payable and the related balance of these notes payable were issued to the lenders for expenses paid on behalf of the Company.

Administrative services:

The Company pays monthly fees for administrative services of $500 to Paramount BioCapital Investments, LLC. For the year ended December 31, 2004, the Company has accrued $1,500 for administrative services.

NOTES TO FINANCIAL STATEMENTS

Note 3 - License agreement:

The Company is a specialty pharmaceutical company focused on acquiring, developing and commercializing innovative pharmaceutical products. In April 2004, the Company entered into an agreement to acquire the rights to an exclusive, world-wide, royalty-bearing sublicense to develop and commercialize a technology for topical dermatologic products for localized usage at the delivery zone (the "Novasome Technology").

The amount expended under these agreements and charged to research and development expense during the year ended December 31, 2004 was $300,000. Future potential milestone payments under this agreement total approximately $9,100,000. The Company may also owe the licensor royalty payments based on future net sales, as defined, from Novasome Technology. There are no minimum royalties required under the agreement.

Note 4 - Stockholders' deficiency:

In 2003, the Company issued 4,000,000 shares of common stock to its founders for subscriptions receivable of $4,000 or $.001 per share. During 2004, the Company received the $4,000.

The Company has a stock inventive plan (the "Plan") under which incentive stock options may be granted to officers, directors, consultants and key employees of the Company for the purchase of up to 1,000,000 shares of common stock.

A summary of the Company's stock option activity and related information for the year ended December 31, 2004 is as follows:

	Available for Grant	Granted	Weighted Average Exercise Price
Establish 2004 Stock Option Plan	1,000,000		
2004 option grants	(301,000)	301,000	$ 2.00
Balance, December 31, 2004	699,000	301,000	

Note 4 - Stockholders' deficiency (concluded):

The exercise price for all vested and unvested options outstanding is $2.00 per share. The average remaining contractual life of options outstanding at December 31, 2004 is 9.875 years. The average fair value of options granted during the year ended December 31, 2004 was approximately $.45 per share. At December 31, 2004, no options were vested and no options have been exercised.

Note 5 - Income taxes:

There was no current or deferred income tax expense for the year ended December 31, 2004 or the period from July 16, 2003 (date of inception) to December 31, 2003.

The Company's deferred tax assets as of December 31, 2004 and 2003 are as follows:

	2004	2003
Net operating loss carryforwards - Federal	$ 189,000	
Net operating loss carryforwards - state	34,000	
Total	223,000	
Less valuation allowance	(223,000)	
Deferred tax assets	$ —	$ —

At December 31, 2004, the Company had potentially utilizable Federal and state net operating loss tax carryforwards of approximately $555,000.

The utilization of the Company's net operating losses may be subject to a substantial limitation due to the "change of ownership provisions" under Section 382 of the Internal Revenue Code and similar state provisions. Such limitation may result in the expiration of the net operating loss carryforwards before their utilization.

Note 6 - Employment agreement:

The Company has entered into a three-year employment agreement with its President and Chief Executive Officer at $300,000 annually. In addition, the Company is required to pay its President and Chief Executive Officer a guaranteed bonus of $200,000 payable in two equal installments. The first installment of $100,000 is payable on May 15, 2005 and the second installment is payable on November 15, 2005.

Note 7 - Subsequent events:

During the period from January 1, 2005 through March 14, 2005, the Company issued $80,000 of additional promissory notes to Paramount BioCapital Investments, LLC (see Note 1).

NOTES TO FINANCIAL STATEMENTS

On April 1, 2005, the Company entered into the Agreement with Manhattan, a Delaware corporation, and Tarpan Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Manhattan (“TAC”). The Agreement provided that TAC would merge with and into the Company, with the Company remaining as the surviving corporation and a wholly-owned subsidiary of Manhattan (the “Merger”). The Merger was completed April 1, 2005. In consideration for their shares of capital stock and in accordance with the Agreement, the stockholders of the Company received a number of shares of Manhattan’s common stock such that, upon the effective time of the Merger, the Company’s stockholders collectively received (or are entitled to receive) approximately 20 percent of Manhattan’s outstanding common stock on a fully-diluted basis (i.e., assuming the issuance of common stock underlying outstanding options, warrants and other rights). Based on the number of fully-diluted outstanding shares of Manhattan’s common stock on the date of the Merger, the Company’s stockholders as of April 1, 2005 will receive an aggregate of 10,731,052 shares of Manhattan’s common stock in the Merger. At the time of the Merger, the Company had outstanding indebtedness of approximately $651,000 resulting from a series of promissory notes issued to Paramount BioCapital Investments, LLC and Horizon BioMedical Ventures, LLC, both of which are owned or controlled by Dr. Lindsay Rosenwald. The notes were amended at the time of the Merger to provide that one-half of the outstanding indebtedness was payable upon completion of the Merger and the remaining one-half will be payable at such time as Manhattan raises at least $5 million in new financing.

Several of the Company’s former stockholders are directors or significant stockholders of Manhattan. Dr. Rosenwald and various trusts established for the benefit of Dr. Rosenwald and members of his immediate family collectively beneficially owned approximately 46 percent of our common stock and beneficially own approximately 26 percent Manhattan’s common stock. In addition, Joshua Kazam, David Tanen, Dr. Michael Weiser and Timothy McInerney, all of whom are members of Manhattan’s board of directors, collectively owned approximately 13.4 percent of the Company's outstanding common stock. Dr. Weiser and Mr. McInerney are also employed by Paramount BioCapital, Inc., an entity owned and controlled by Dr. Rosenwald.

Introduction to Unaudited Pro Forma Condensed Combined Financial Statements

On April 1, 2005, Manhattan Pharmaceuticals, Inc. (the “Company”) entered into an Agreement and Plan of Merger (the “Agreement”) with Tarpan Therapeutics, Inc., a Delaware corporation (“Tarpan”), and Tarpan Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company (“TAC”). The Agreement provided that TAC would merge with and into Tarpan, with Tarpan remaining as the surviving corporation and a wholly-owned subsidiary of the Company (the “Merger”). The Merger was completed April 1, 2005. In consideration for their shares of Tarpan capital stock and in accordance with the Agreement, the stockholders of Tarpan received a number of shares of the Company’s common stock such that, upon the effective time of the Merger, the Tarpan stockholders collectively received (or are entitled to receive) approximately 20 percent of the Company’s outstanding common stock on a fully-diluted basis (i.e., assuming the issuance of common stock underlying outstanding options, warrants and other rights). Based on the number of fully-diluted outstanding shares of the Company’s common stock on the date of the Merger, the former stockholders of Tarpan received an aggregate of 10,731,052 shares of the Company’s common stock in the Merger. At the time of the Merger, Tarpan had outstanding indebtedness of approximately $651,000 resulting principally from a series of promissory notes issued to Paramount BioCapital Investments, LLC and Horizon BioMedical Ventures, LLC, both of which are owned or controlled by Dr. Lindsay Rosenwald. The notes were amended at the time of the Merger to provide that one-half of the outstanding indebtedness was payable upon completion of the Merger and the remaining one-half will be payable at such time as the Company raises at least $5 million in new financing.

The Unaudited Pro Forma Condensed Combined Statements of Operations combine the historical consolidated statements of operations of the Company and Tarpan giving effect to the merger as if it had been consummated on January 1, 2004. The Unaudited Pro Forma Condensed Combined Balance Sheet combines the historical consolidated balance sheet of the Company and the historical balance sheet of Tarpan, giving effect to the merger as if it had been consummated on March 31, 2005.

You should read this information in conjunction with the:
Accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements;

Separate audited historical financial statements of the Company as of and for the years ended December 31, 2004 and 2003 and for the period from August 6, 2001 (inception) to December 31, 2004 included in the Company’s Annual Report on Form 10-KSB for the year ended December 31, 2004;

Separate unaudited historical financial statements of the Company as of and for the three months ended March 31, 2005 and 2004 and the period from August 6, 2001 (inception) to March 31, 2005 included in the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2005;

Separate audited and unaudited historical financial statements of Tarpan as of December 31, 2004 and 2003 and March 31, 2005 and for the year ended December 31, 2004, the period from July 16, 2003 (inception) to December 31, 2003 and 2004 and the three months ended March 31, 2005 and 2004 and the period from July 16, 2003 (inception) to March 31, 2005 which are included in this document.

We present the unaudited pro forma condensed combined financial information for informational purposes only. The pro forma information is not necessarily indicative of what our financial position or results of operations actually would have been had we completed the merger on March 31, 2005 or on January 1, 2004. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company.

We prepared the unaudited pro forma condensed combined financial information using the purchase method of accounting with the Company treated as the acquirer. Accordingly, the Company's cost to acquire Tarpan will be allocated to the assets acquired and liabilities assumed (substantially in process research and development ("IPR&D")) based upon their estimated fair values as of the date of acquisition. The allocation is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

(Development Stage Companies)

As of March 31, 2005
(Unaudited)
($000)

Assets	Manhattan Pharmaceuticals, Inc.	Tarpan Therapeutics, Inc.	Pro Forma Adjustments		Pro Forma Combined
Current assets:					
Cash and cash equivalents	$ 545	$ 7	$ (325)	(4)	$ 227
Short-term investments, available for sale, at market	3,521	—	—		3,521
Total current assets	4,066	7	(325)		3,748
Property and equipment, net	126	2	—		128
Other assets	199	—	(128)	(3)	71
Total assets	$ 4,391	$ 9	$ (453)		$ 3,947
Liabilities and Stockholders' Equity (Deficiency)					
Current liabilities:					
Accounts payable	$ 1,112	$ 26	$ 50	(3)	$ 1,188
Due to related parties	—	651	(325)	(4)	326
Accrued expenses	158	—	—		158
Total liabilities	1,270	677	(275)		1,672
Commitments and contingencies					
Stockholders' equity (deficiency):					
Series A convertible preferred stock	1	—	—		1
Common stock	30	4	(4)	(1)	41
			11	(2)	
Additional paid-in capital	18,398	136	(136)	(1)	29,440
			11,042	(2)	
Deficit accumulated during development stage	(15,509)	(690)	690	(1)	(27,408)
			(11,899)	(5)	
Dividends payable in Series A preferred shares	184	—	—		184
Accumulated other comprehensive income	17	—	—		17
Deferred compensation	—	(118)	118	(1)	—
Total stockholders' equity (deficiency)	3,121	(668)	(178)		2,275
Total liabilities and stockholders' equity (deficiency)	$ 4,391	$ 9	$ (453)		$ 3,947

See accompanying notes to unaudited condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

(Development Stage Companies)

For the three months ended March 31, 2005
(Unaudited)
($000, except per share information)

	Manhattan Pharmaceuticals, Inc.	Tarpan Therapeutics, Inc.	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ —	$ —	$ —	$ —
Costs and expenses:				
Research and development	964	—	—	964
General and administrative	493	120	—	613
Total operating expenses	1,457	120	—	1,577
Operating loss	(1,457)	(120)	—	(1,577)
Other, net	(31)	7	—	(24)
Net loss	(1,426)	(127)	—	(1,553)
Preferred stock dividends (including imputed amounts)	(127)	—	—	(127)
Net loss applicable to common shares	$ (1,553)	$ (127)	$ —	$ (1,680)
Net loss per common share:				
Basic and diluted	$ (0.05)			$ (0.04)
Weighted average shares of common stock outstanding:				
Basic and diluted	28,665,144			39,396,196

See accompanying notes to unaudited condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

(Development Stage Companies)

For the year ended December 31, 2004
(Unaudited)
($000, except per share information)

	Manhattan Pharmaceuticals, Inc.	Tarpan Therapeutics, Inc.	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ —	$ —	$ —	$ —
Costs and expenses:				
Research and development	4,153	308	—	4,461
General and administrative	1,990	243	—	2,233
Total operating expenses	6,143	551	—	6,694
Operating loss	(6,143)	(551)	—	(6,694)
Other, net	(247)	11	—	(236)
Net loss	(5,896)	(562)	—	(6,458)
Preferred stock dividends (including imputed amounts)	(586)	—	—	(586)
Net loss applicable to common shares	$ (6,482)	$ (562)	$ —	$ (7,044)
Net loss per common share:				
Basic and diluted	$ (0.24)			$ (0.19)
Weighted average shares of common stock outstanding:				
Basic and diluted	26,936,658			37,667,710

See accompanying notes to unaudited condensed combined financial statements.

(1) Description of Transaction and Basis of Presentation

On April 1, 2005, Manhattan Pharmaceuticals, Inc. (the “Company”) consummated an Agreement and Plan of Merger (the “Agreement”) with Tarpan Therapeutics, Inc., a Delaware corporation (“Tarpan”), and Tarpan Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company (“TAC”). The Agreement provided that TAC would merge with and into Tarpan, with Tarpan remaining as the surviving corporation and a wholly-owned subsidiary of the Company (the “Merger”). The Merger was completed April 1, 2005. In consideration for their shares of Tarpan capital stock and in accordance with the Agreement, the stockholders of Tarpan received a number of shares of the Company’s common stock such that, upon the effective time of the Merger, the Tarpan stockholders collectively received (or are entitled to receive) approximately 20 percent of the Company’s outstanding common stock on a fully-diluted basis (i.e., assuming the issuance of common stock underlying outstanding options, warrants and other rights). Based on the number of fully-diluted outstanding shares of the Company’s common stock on the date of the Merger, the former stockholders of Tarpan received an aggregate of 10,731,052 shares of the Company’s common stock in the Merger. At the time of the Merger, Tarpan had outstanding indebtedness of approximately $651,000 resulting principally from a series of promissory notes issued to Paramount BioCapital Investments, LLC and Horizon BioMedical Ventures, LLC, both of which are owned or controlled by Dr. Lindsay Rosenwald. The notes were amended at the time of the Merger to provide that one-half of the outstanding indebtedness was payable upon completion of the Merger and the remaining one-half will be payable at such time as the Company raises at least $5 million in new financing.

The merger will be accounted for as a purchase by the Company under accounting principles generally accepted in the United States of America. Under the purchase method of accounting, the assets and liabilities of Tarpan will be recorded as of the acquisition date, at their respective fair values, and combined with those of the Company. The reported financial condition and results of operations of the Company after completion of the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of Tarpan. The estimated purchase price has been preliminarily allocated to acquired in process research and development.

As required by FASB Interpretation No. 4, “Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method” (“FIN 4”), the Company will record a charge in the second quarter of 2005 of $12,567,000 for the preliminary estimate of the portion of the purchase price allocated to acquired in-process research and development.

A valuation using the guidance in SFAS No. 141, “Business Combinations” and the AICPA Practice Aid “Assets Acquired in a Business Combination to Be Used in Research and Development Activities: A Focus on Software, Electronic Devices and Pharmaceutical Industries” is being performed to determine the fair value of research and development projects of Tarpan which were in-process but not yet completed.

(1) To eliminate the stockholders’ deficiency accounts of Tarpan.

(2) To reflect the issuance of 10,731,052 shares of $.001 par value common stock of the Company to Tarpan stockholders.

(3) To reflect estimated transaction costs.

(1) Description of Transaction and Basis of Presentation (Continued)

(4) To reflect the payment of one-half of the outstanding indebtedness which was payable upon completion of the Merger.

(5) To reflect the one-time charge to in-process research and development.

EXHIBIT INDEX

2.1	Agreement and Plan of Merger dated April 1, 2005 by and among the Registrant, Manhattan Pharmaceuticals, Inc. and Tarpan Acquisition Corp.
10.1	Employment Agreement between the Company and Douglas Abel dated April 1, 2005.

Exhibit 2.1

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement") is entered into as of April 1, 2005, by and among **Manhattan Pharmaceuticals, Inc.**, a company duly organized and existing under the laws of the State of Delaware, having a place of business located at 810 Seventh Avenue, 4th Floor, New York, New York 10019 ("Manhattan"), **Tarpan Therapeutics, Inc.**, a company duly organized and existing under the laws of the State of Delaware, having a place of business located at 787 Seventh Avenue, 48th Floor, New York, New York 10019 ("Tarpan"), and **Tarpan Acquisition Corp.**, a company duly organized and existing under the laws of the State of Delaware, having a place of business located at 810 Seventh Avenue, 8th Floor, New York, New York 10019 ("TAC").

W I T N E S S E T H

WHEREAS, the respective Boards of Directors of Tarpan, Manhattan and TAC have (i) determined that it is in the best interests of such corporations and their respective stockholders to consummate the merger of TAC with and into Tarpan (the "Merger") and (ii) approved and declared advisable this Agreement, the Merger and the other transactions contemplated by this Agreement;

WHEREAS, Manhattan, as the sole stockholder of TAC, has approved this Agreement, the Merger and the other transactions contemplated by this Agreement pursuant to action taken by written consent in accordance with the requirements of the Delaware General Corporation Law ("DGCL") and the Bylaws of TAC;

WHEREAS, pursuant to the Merger, among other things, the outstanding shares of common stock of Tarpan shall be converted into the right to receive upon Closing (as hereinafter defined) and thereafter, the Merger Consideration (as hereinafter defined);

WHEREAS, the parties to this Agreement intend to adopt this Agreement as a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder, and intend that the Merger and the other transactions contemplated by this Agreement be undertaken pursuant to such plan; and

WHEREAS, the parties to this Agreement intend that the Merger shall qualify as a "reorganization," within the meaning of Section 368(a) of the Code, and that Manhattan, TAC and Tarpan will each be a "party to a reorganization," within the meaning of Section 368(b) of the Code, with respect to the Merger.

NOW, THEREFORE, in consideration of the representations, warranties and covenants contained herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

As used herein, the following terms shall have the following meanings (such meaning to be equally applicable to both the singular and plural forms of the terms defined):

"Acquisition Proposal" means any offer or proposal for, or any indication of interest in, a merger or other business combination involving Tarpan or the acquisition of any significant interest in, or a substantial portion of the assets of Tarpan, other than the transactions contemplated by this Agreement.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person at any time during the period for which the determination of affiliation is being made.

"Certificate of Merger" shall mean the certificate of merger in substantially the form attached hereto as ***Exhibit A***.

"Closing" shall have the meaning ascribed thereto in **Section 2.1(a)** hereof.

"Closing Date" shall have the meaning ascribed thereto in **Section 2.1(a)** hereof.

"Code" has the meaning ascribed thereto in the preambles to this Agreement.

"Copyrights" has the meaning ascribed thereto in **Section 3.20(a)** hereof.

"DGCL" has the meaning ascribed thereto in the preambles to this Agreement.

"Dissenting Shares shall have the meaning ascribed thereto in **Section 2.5** hereof.

"Effective Date" shall have the meaning ascribed thereto in **Section 2.1(a)** hereof.

"Effective Time" shall have the meaning ascribed thereto in **Section 2.1(a)** hereof.

"Environmental Law" means any and all federal, state, local and foreign laws, common laws, statutes, ordinances, rules, regulations or other legal requirement relating to (i) the protection of the environment (including air, water vapor, surface water, groundwater, drinking water supply, surface or subsurface land) or (ii) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, release or disposal of, Hazardous Materials.

"Environmental Permit" means, with respect to any of the parties hereto, any permit, license, certificate, approval or authorization issued by a governmental authority that is required for the operation of such party's business or the holding of any of its material assets or properties.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Ratio" means the quotient resulting from dividing (A) one-fourth of the fully-diluted shares of Manhattan Common Stock outstanding immediately prior to the Effective Time by (B) the number of fully-diluted shares of Tarpan Common Stock outstanding immediately prior to the Effective Time (except shares of Tarpan Common Stock cancelled or extinguished pursuant to Sections 2.2(b)). For purposes of calculating the Exchange Ratio, the term "fully-diluted shares" of any entity's common stock shall mean the number of issued and outstanding shares assuming the issuance of all shares of common stock issuable upon exercise or conversion of all outstanding options, warrants, convertible securities, and other rights to purchase or otherwise acquire such common stock; *provided, however*, that the fully-diluted shares of Manhattan Common Stock shall not include the issuance of all shares of Manhattan Common Stock issuable upon the exercise or conversion of any outstanding option, warrant or other convertible security originally issued by Atlantic Technology Ventures, Inc. (Manhattan's predecessor) having a conversion or exercise price of at least $5.00 per share of Manhattan Common Stock.

"GAAP" shall mean United States generally accepted accounting principles as in effect from time to time.

"Hazardous Materials means all materials regulated pursuant to Environmental Law as capable of causing harm or injury to human health or the environment, including oils, petroleum, and petroleum products.

"Information Statement" shall have the meaning ascribed thereto in **Section 5.13** hereof.

"Intellectual Property" has the meaning ascribed thereto in **Section 3.20(a)** hereof.

"Know-How" has the meaning ascribed thereto in **Section 3.20(a)** hereof.

"Manhattan 8-K Reports" has the meaning ascribed thereto in **Section 4.4** hereof.

"Manhattan 10-K Report" has the meaning ascribed thereto in **Section 4.4** hereof.

"Manhattan 10-Q Reports" has the meaning ascribed thereto in **Section 4.4** hereof.

"Manhattan Common Stock" means the common stock, par value $.001 per share, of Manhattan.

"Manhattan Insiders" has the meaning ascribed thereto in **Section 4.13** hereof.

"Manhattan Intellectual Property" has the meaning ascribed thereto in **Section 4.12(a)** hereof.

"Manhattan Latest Balance Sheet" has the meaning ascribed thereto in **Section 4.6** hereof.

"Manhattan Permits" has the meaning ascribed thereto in **Section 4.14** hereof.

"Manhattan Proxy Statements" has the meaning ascribed thereto in **Section 4.4** hereof.

"Manhattan Returns" has the meaning ascribed thereto in **Section 4.10** hereof.

"Manhattan SEC Filings" has the meaning ascribed thereto in **Section 4.4** hereof

"Material Adverse Effect" shall, with respect to any entity, mean a material adverse effect on the business, operations, results of operations or financial condition of such entity taken as a whole, but shall exclude any effect resulting from or relating to (i) general economic conditions or general effects on the industries in which such entity operates, (ii) acts of terrorism or war (whether or not threatened, pending or declared), or (iii) the public announcement of this Agreement or the transactions contemplated hereby.

"Merger Consideration" means the shares of Manhattan Common Stock issuable in connection with the Merger to the holders of Tarpan Common Stock based on the product resulting from multiplying the Exchange Ratio by the number of fully-diluted shares of Tarpan Common Stock outstanding immediately prior to the Effective Time.

"Merger" shall have the meaning ascribed thereto in the preambles of this Agreement.

"Patents" has the meaning ascribed thereto in **Section 3.20(a)** hereof.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company or partnership, joint venture, estate, trust, proprietorship, association, organization, labor union or governmental authority.

"Registration Rights Agreement" shall have the meaning ascribed thereto in **Section 5.11** hereof.

"Remedial Action" means any action required under Environmental Law to clean up soil, surface water or groundwater in response to a release of Hazardous Materials, including associated action taken to investigate, monitor, assess and evaluate the extent and severity of any such release; action taken to remediate any such release; post-remediation monitoring of any such release; and preparation of all reports, studies, analyses or other documents relating to the above.

"Requisite Tarpan Stockholder Vote" shall have the meaning ascribed thereto in **Section 3.2** hereof.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Software" has the meaning ascribed thereto in **Section 3.20(a)** hereof.

"Stockholder Questionnaire" shall have the meaning ascribed thereto in **Section 5.7** hereof.

"Surviving Company" shall have the meaning ascribed thereto in **Article II**.

"Tarpan Common Stock" means the common stock, par value $.001, of Tarpan.

"Tarpan Financial Statements" has the meaning ascribed thereto in **Section 3.10** hereof.

"Tarpan Insiders" has the meaning ascribed thereto in **Section 3.8** hereof.

"Tarpan Intellectual Property" has the meaning ascribed thereto in **Section 3.20(a)** hereof.

"Tarpan Latest Balance Sheet" has the meaning ascribed thereto in **Section 3.14** hereof.

"Tarpan Permits" has the meaning ascribed thereto in **Section 3.9(b)** hereof.

"Tarpan Plans" has the meaning ascribed thereto in **Section 3.17(a)** hereof.

"Tarpan Returns" has the meaning ascribed thereto in **Section 3.6(a)** hereof.

"Tarpan Stockholder Meeting" shall have the meaning ascribed thereto in **Section 5.8(a)** hereof.

"Tax or Taxes" shall mean any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, property or windfall profits taxes, environmental taxes, customs duties, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, workers' compensation, employment-related insurance, real property, personal property, sales, use, transfer, value added, alternative or add-on minimum or other governmental tax, fee, assessment or charge of any kind whatsoever including any interest, penalties or additions to any Tax or additional amounts in respect of the foregoing.

"Trademarks" has the meaning ascribed thereto in **Section 3.20(a)** hereof.

ARTICLE II
MERGER

At the Effective Time, and subject to and upon the terms and conditions of this Agreement and the applicable provisions of the DGCL, TAC shall be merged with and into Tarpan, the separate corporate existence of TAC shall cease, and Tarpan shall continue as the surviving corporation and as a wholly-owned subsidiary of Manhattan. Tarpan, as the surviving corporation after the Merger, is hereinafter sometimes referred to as the "Surviving Company".

2.1 Effects of Merger.

(a) Subject to the provisions of **Articles VI** and **VII** hereof, the closing of the Merger and the other transactions contemplated hereby (the "Closing") shall take place at the earliest practicable time after the satisfaction or waiver of the conditions in **Article VI** at such location and on such date as Tarpan and Manhattan mutually agree, but in no event later than ten (10) business days after all such conditions have been satisfied or waived, or on such other date as may be mutually agreed by the parties hereto (the "Closing Date"). On the Closing Date, to effect the Merger, the parties hereto will cause the Certificate of Merger to be filed with the Secretary of State of the State of Delaware in accordance with the DGCL. The Merger shall be effective when the Certificate of Merger is filed with the Delaware Secretary of State (the "Effective Time"). As used herein, the term "Effective Date" shall mean the date on which the Certificate of Merger is filed with the Secretary of State of the State of Delaware.

(b) Each of Manhattan, Tarpan and TAC shall each use its reasonable best efforts to take all such action as may be necessary or appropriate to effectuate the Merger in accordance with the DGCL at the Effective Time. If at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Company with full right, title and possession to all properties, rights, privileges, immunities, powers and franchises of either Tarpan or TAC, the officers of Manhattan and the Surviving Company are fully authorized in the name of Tarpan and TAC to take, and shall take, all such lawful and necessary action.

(c) At the Effective Time, the Certificate of Incorporation of the Surviving Company shall be amended and restated in its entirety to be identical to the Certificate of Incorporation of TAC as in effect immediately prior to the Effective Time, until thereafter amended as provided by law and such Certificate of Incorporation; *provided, however*, that Article I of the Certificate of Incorporation of the Surviving Company shall read as follows: "The name of the corporation is Tarpan Therapeutics, Inc.". The Bylaws of Tarpan as in effect immediately prior to the Effective Time shall be the Bylaws of the Surviving Company at the Effective Time, until thereafter amended as provided by law and such Bylaws.

2.2 Effect on Tarpan Capital Stock and TAC Capital Stock. To effectuate the Merger, and subject to the terms and conditions of this Agreement, at the Effective Time:

(a) Each share of Tarpan Common Stock issued and outstanding immediately prior to the Effective Time (other than shares to be extinguished pursuant to this **Section 2.2** and the Dissenting Shares as defined in **Section 2.5** below) shall be cancelled and extinguished and converted into the right to receive such number of fully paid and non-assessable shares of Manhattan Common Stock equal to the Exchange Ratio. Manhattan shall issue to each holder of Tarpan Common Stock (other than holders of shares extinguished pursuant to this **Section 2.2** and Dissenting Shares) the number of shares of Manhattan Common Stock equal to the number of shares of Tarpan Common Stock held by such stockholder multiplied by the Exchange Ratio, rounded to the nearest whole share;

(b) Each share of Tarpan Common Stock held immediately prior to the Effective Time by Tarpan as treasury stock will be cancelled and extinguished without any conversion thereof and no payment will be made with respect to such shares;

(c) Each share of Tarpan Common Stock issued and outstanding immediately prior to the Effective Time and owned by TAC or Manhattan, if any, shall be cancelled and extinguished without any conversion thereof and no payment shall be made with respect thereto; and

(d) Each share of common stock, $0.001 par value per share, of TAC issued and outstanding immediately prior to the Effective Time will be converted into one validly issued, fully paid and nonassessable share of common stock of the Surviving Company.

2.3 Rights of Holders of Tarpan Capital Stock.

(a) From and after the Effective Time and until surrendered for exchange, each outstanding stock certificate that immediately prior to the Effective Time represented shares of Tarpan Common Stock (except Dissenting Shares and shares cancelled or extinguished pursuant to **Section 2.2**) shall be deemed for all purposes, to evidence ownership of and to represent the number of whole shares of Manhattan Common Stock into which such shares of Tarpan Common Stock shall have been converted pursuant to **Section 2.2(a)** above. The record holder of each such outstanding certificate representing shares of Tarpan Common Stock, shall, after the Effective Time, be entitled to vote the shares of Manhattan Common Stock into which such shares of Tarpan Common Stock shall have been converted on any matters on which the holders of record of the Manhattan Common Stock, as of any date subsequent to the Effective Time, shall be entitled to vote. In any matters relating to such certificates of Tarpan Common Stock, Manhattan may rely conclusively upon the record of stockholders maintained by Tarpan containing the names and addresses of the holders of record of Tarpan Common Stock on the Effective Date.

(b) From and after the Effective Time, Manhattan shall reserve a sufficient number of authorized but unissued shares of Manhattan Common Stock for issuance in connection with the issuance of the Merger Consideration upon conversion of Tarpan Common Stock into Manhattan Common Stock at the Effective Time.

2.4 Procedure for Exchange of Tarpan Common Stock.

(a) After the Effective Time, each holder of certificate(s) theretofore evidencing outstanding shares of Tarpan Common Stock (except Dissenting Shares and shares cancelled or extinguished pursuant to **Section 2.2**), upon surrender of such certificate(s) to the registrar or transfer agent for Manhattan Common Stock, shall be entitled to receive certificates representing the number of whole shares of Manhattan Common Stock into which shares of Tarpan Common Stock theretofore represented by the certificates so surrendered shall have been converted as provided in **Section 2.2(a)** hereof. Manhattan shall not be obligated to deliver shares of Manhattan Common Stock to which any holder of shares of Tarpan Common Stock is entitled until such holder surrenders the certificate or certificates representing such shares. Upon surrender, each certificate evidencing Tarpan Common Stock shall be canceled. If there is a transfer of Tarpan Common Stock ownership which is not registered in the transfer records of Tarpan, a certificate representing the proper number of shares of Manhattan Common Stock may be issued to a Person other than the Person in whose name the certificate so surrendered is registered if: (x) upon presentation to the Secretary of Manhattan, such certificate shall be properly endorsed or otherwise be in proper form for transfer, (y) the Person requesting such transfer shall pay any transfer or other taxes required by reason of the issuance of shares of Manhattan Common Stock to a Person other than the registered holder of such certificate or establish to the reasonable satisfaction of Manhattan that such tax has been paid or is not applicable, and (z) the issuance of such shares of Manhattan Common Stock shall not, in the sole discretion of Manhattan, violate the requirements of Section 4(2) of the Securities Act with respect to the private placement of Manhattan Common Stock that will result from the Merger.

(b) All shares of Manhattan Common Stock issued upon the surrender of and exchange for shares of Tarpan Common Stock in accordance with the above terms and conditions shall be deemed to have been issued and paid in full satisfaction of all rights pertaining to such shares of Tarpan Common Stock.

(c) No holder surrendering a certificate representing shares of Tarpan Common Stock will be issued in exchange for a certificate representing other than a whole number of shares of Manhattan Common Stock.

(d) Any shares of Manhattan Common Stock issued in the Merger will not be transferable except (1) pursuant to an effective registration statement under the Securities Act or (2) upon receipt by Manhattan of a written opinion of counsel reasonably satisfactory to Manhattan to the effect that the proposed transfer is exempt from the registration requirements of the Securities Act and relevant state securities laws. Restrictive legends must be placed on all certificates representing shares of Manhattan Common Stock issued in the Merger, substantially as follows:

> "NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS IN EFFECT THEREUNDER AND ALL APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS (SUCH FEDERAL AND STATE LAWS, THE "SECURITIES LAWS") OR (B) IF MANHATTAN PHARMACEUTICALS, INC. HAS BEEN FURNISHED WITH AN OPINION OF COUNSEL FOR THE HOLDER, WHICH OPINION AND COUNSEL SHALL BE REASONABLY SATISFACTORY TO MANHATTAN PHARMACEUTICALS, INC., TO THE EFFECT THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF THE SECURITIES LAWS."

(e) In the event any certificate for shares of Tarpan Common Stock shall have been lost, stolen or destroyed, Manhattan shall issue in exchange for such lost, stolen or destroyed certificate, upon the making of an affidavit of that fact by the holder thereof, such shares of Manhattan Common Stock as provided herein; *provided, however*, that Manhattan, in its discretion and as a condition precedent to the issuance thereof, may require the holder of the shares represented by such lost, stolen or destroyed certificate to deliver a bond in such sum as it may direct as indemnity against any claim that may be made against Manhattan or any other party with respect to the certificate alleged to have been lost, stolen or destroyed.

2.5 Dissenting Shares.

(a) Shares of capital stock of Tarpan held by stockholders of Tarpan who have properly exercised and preserved appraisal rights with respect to such shares in accordance with Section 262 of the DGCL (the "Dissenting Shares") shall not be converted into or represent a right to receive shares of Manhattan Common Stock pursuant to **Section 2.2(a)** above, but the holders thereof shall be entitled only to such rights as are granted by Section 262 of the DGCL. Each holder of Dissenting Shares who becomes entitled to payment for such shares pursuant to Section 262 of the DGCL shall receive payment therefor from the Surviving Company in accordance with such laws; *provided, however*, that if any such holder of Dissenting Shares shall have effectively withdrawn such holder's demand for appraisal of such shares or lost such holder's right to appraisal and payment of such shares under Section 262 of the DGCL, such holder or holders (as the case may be) shall forfeit the right to appraisal of such shares and each such share shall thereupon be deemed to have been canceled, extinguished and converted, as of the Effective Time, into and represent the right to receive the shares of Manhattan Common Stock as provided in **Section 2.2(a)** above.

(b) Any payments in respect of Dissenting Shares will be deemed made by the Surviving Company.

2.6 Directors and Officers of the Surviving Company. From and after the Effective Time, the directors of the Surviving Company shall be the directors of TAC immediately prior to the Effective Time, each to hold office until their respective successors are duly elected or appointed and qualified, or such persons are otherwise removed, in accordance with applicable law and the Certificate of Incorporation and Bylaws of the Surviving Company. From and after the Effective Time, the officers of the Surviving Company shall be the officers of TAC immediately prior to the Effective Time, each to hold office until their respective successors are duly appointed or such persons are removed from office in accordance with applicable law and the Certificate of Incorporation and Bylaws of the Surviving Company.

2.7 Tax Treatment. It is intended by the parties hereto that the Merger shall constitute a reorganization within the meaning of Section 368(a) of the Code. Each of the parties hereto adopts this Agreement as a "plan of reorganization" within the meaning of Sections 1.368-2(g) and 1.368-3(a) of the United States Treasury Regulations. Both prior to and after the Closing, each party's books and records shall be maintained, and all federal, state and local income tax returns and schedules thereto shall be filed in a manner consistent with the Merger being qualified as a tax-free reorganization under Section 368(a) of the Code (and comparable provisions of any applicable state or local laws).

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF TARPAN

Tarpan hereby represents and warrants as follows:

3.1 Organization and Qualification. Tarpan is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite corporate power and authority to own, lease and operate its assets and to carry on its business as now conducted. The copies of the Certificate of Incorporation and Bylaws of Tarpan that have been made available to Manhattan on or prior to the date of this Agreement are correct and complete copies of such documents as in effect as of the date hereof. Except as set forth on **Schedule 3.1**, Tarpan is duly licensed or qualified to do business and is in good standing in every jurisdiction in which the nature of its business or the ownership or leasing of its properties requires it to be licensed or qualified, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Tarpan.

3.2 Authority Relative to this Agreement; Non-Contravention. Tarpan has the requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by Tarpan and the consummation by Tarpan of the transactions contemplated hereby have been duly authorized by the Board of Directors of Tarpan and, except for approval of this Agreement and the Merger by the requisite vote of Tarpan's stockholders (the "Requisite Tarpan Stockholder Vote"), no other corporate proceedings on the part of Tarpan are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Tarpan and, assuming it is a valid and binding obligation of Manhattan and TAC, constitutes a valid and binding obligation of Tarpan enforceable in accordance with its terms except as enforcement may be limited by general principles of equity whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally. Except as set forth in **Schedule 3.2**, Tarpan is not subject to, or obligated under, any provision of (a) its Certificate of Incorporation or Bylaws, (b) any agreement, arrangement or understanding, (c) any license, franchise or permit or (d) subject to obtaining the approvals referred to in the next sentence, any law, regulation, order, judgment or decree, which would conflict with, be breached or violated, or in respect of which a right of termination or acceleration or any security interest, charge or encumbrance on any of its assets would be created, by the execution, delivery or performance of this Agreement, or the consummation of the transactions contemplated hereby, other than any such conflicts, breaches, violations, rights of termination or acceleration or security interests, charges or encumbrances which, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Tarpan. Except for (a) approvals under applicable blue sky laws, (b) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, and (c) such filings, authorizations or approvals as may be set forth in **Schedule 3.2**, no authorization, consent or approval of, or filing with, any public body, court or authority is necessary on the part of Tarpan for the consummation by Tarpan of the transactions contemplated by this Agreement, except for such authorizations, consents, approvals and filings as to which the failure to obtain or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Tarpan or materially adversely affect the consummation of the transactions contemplated hereby.

3.3 Capitalization.

(a) The authorized, issued and outstanding shares of capital stock of Tarpan as of the date hereof are set forth on **Schedule 3.3(a)**. All issued and outstanding shares of Tarpan Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, have not been issued in violation of any preemptive rights, and are free from any restrictions on transfer (other than restrictions under the Securities Act or state securities laws) or any option, lien, pledge, security interest, encumbrance or charge of any kind. Other than as described on **Schedule 3.3(a)**, Tarpan has no other equity securities or securities containing any equity features that are authorized, issued or outstanding. Except as set forth in **Schedule 3.3(a)** hereto, there are no agreements or other rights or arrangements existing which provide for the sale or issuance of capital stock by Tarpan and there are no rights, subscriptions, warrants, options, conversion rights or agreements of any kind outstanding to purchase or otherwise acquire from Tarpan any shares of capital stock or other securities of Tarpan of any kind. Except as set forth on **Schedule 3.3(a)**, there are no agreements or other obligations (contingent or otherwise) which may require Tarpan to repurchase or otherwise acquire any shares of its capital stock.

(b) **Schedule 3.3(b)** contains a list of the names, addresses and tax identification numbers of the holders of record as of the date of this Agreement of all issued and outstanding shares of Tarpan Common Stock and the number of shares of Tarpan Common Stock each of them holds.

(c) Tarpan does not own, and is not a party to any contract to acquire, any equity securities or other securities of any entity or any direct or indirect equity or ownership interest in any other entity. To Tarpan's knowledge, there exist no voting trusts, proxies, or other contracts with respect to the voting of shares of capital stock of Tarpan.

3.4 Litigation. There are no actions, suits, proceedings, orders or investigations pending or, to the knowledge of Tarpan, threatened against Tarpan, at law or in equity, or before or by any federal, state or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

3.5 No Brokers or Finders. There are no claims for brokerage commissions, finders' fees, investment advisory fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement, understanding, commitment or agreement made by or on behalf of Tarpan.

3.6 Tax Matters.

(a) (i) Tarpan has timely filed (or has had timely filed on its behalf) all returns, declarations, reports, estimates, information returns, and statements, including any schedules and amendments to such documents (the "<u>Tarpan Returns</u>"), required to be filed or sent by it in respect of any Taxes or required to be filed or sent by it to any taxing authority having jurisdiction; (ii) all such Tarpan Returns are complete and accurate in all material respects; (iii) Tarpan has timely and properly paid (or has had paid on its behalf) all Taxes required to be paid by it; (iv) Tarpan has established on the Tarpan Latest Balance Sheet, in accordance with GAAP, reserves that are adequate for the payment of any Taxes not yet due and payable; and (v) Tarpan has complied with all applicable laws, rules, and regulations relating to the collection or withholding of Taxes from third parties (including without limitation employees) and the payment thereof (including, without limitation, withholding of Taxes under Sections 1441 and 1442 of the Code, or similar provisions under any foreign laws).

(b) There are no liens for Taxes upon any assets of Tarpan, except liens for Taxes not yet due.

(c) No deficiency for any Taxes has been proposed, asserted or assessed against Tarpan that has not been resolved and paid in full or is not being contested in good faith. Except as disclosed in **Schedule 3.6**, no waiver, extension or comparable consent given by Tarpan regarding the application of the statute of limitations with respect to any Taxes or Tarpan Returns is outstanding, nor is any request for any such waiver or consent pending. Except as disclosed in **Schedule 3.6**, there has been no Tax audit or other administrative proceeding or court proceeding with regard to any Taxes or Tarpan Returns, nor is any such Tax audit or other proceeding pending, nor has there been any notice to Tarpan by any Taxing authority regarding any such Tax audit or other proceeding, or, to the knowledge of Tarpan, is any such Tax audit or other proceeding threatened with regard to any Taxes or Tarpan Returns. Tarpan does not expect the assessment of any additional Taxes of Tarpan for any period prior to the date hereof and has no knowledge of any unresolved questions, claims or disputes concerning the liability for Taxes of Tarpan which would exceed the estimated reserves established on its books and records.

(d) Except as set forth on **Schedule 3.6**, Tarpan is not a party to any agreement, contract or arrangement that would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code and the consummation of the transactions contemplated by this Agreement will not be a factor causing payments to be made by Tarpan not to be deductible (in whole or in part) under Section 280G of the Code. Tarpan is not liable for Taxes of any other Person, and is not currently under any contractual obligation to indemnify any Person with respect to Taxes, or a party to any tax sharing agreement or any other agreement providing for payments by Tarpan with respect to Taxes. Tarpan is not a party to any joint venture, partnership or other arrangement or contract which could be treated as a partnership for federal income tax purposes. Tarpan has not agreed and is not required, as a result of a change in method of accounting or otherwise, to include any adjustment under Section 481 of the Code (or any corresponding provision of state, local or foreign law) in taxable income. **Schedule 3.6** contains a list of all jurisdictions in which Tarpan is required to file any Tarpan Return and no claim has been made by a taxing authority in a jurisdiction where Tarpan does not currently file Tarpan Returns that Tarpan is or may be subject to taxation by that jurisdiction. There are no advance rulings in respect of any Tax pending or issued by any Taxing authority with respect to any Taxes of Tarpan. Tarpan has not entered into any gain recognition agreements under Section 367 of the Code and the regulations promulgated thereunder. Tarpan is not liable with respect to any indebtedness the interest of which is not deductible for applicable federal, foreign, state or local income tax purposes. Tarpan has not filed or been included in a combined, consolidated or unitary Tax return (or the substantial equivalent thereof) of any Person.

(e) Tarpan has been neither a "distributing corporation" nor a "controlled corporation" (within the meaning of Section 355 of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code.

(f) Except as set forth on **Schedule 3.6**, Tarpan has not requested any extension of time within which to file any Tarpan Return, which return has not since been filed.

3.7 Contracts and Commitments. Contracts and Commitments.

(a) **Schedule 3.7** hereto lists the following agreements, whether oral or written, to which Tarpan is a party, which are currently in effect, and which relate to the operation of Tarpan's business: (i) collective bargaining agreement or contract with any labor union; (ii) bonus, pension, profit sharing, retirement or other form of deferred compensation plan; (iii) hospitalization insurance or other welfare benefit plan or practice, whether formal or informal; (iv) stock purchase or stock option plan; (v) contract for the employment of any officer, individual employee or other Person on a full-time or consulting basis or relating to severance pay for any such Person; (vi) confidentiality agreement; (vii) contract, agreement or understanding relating to the voting of Tarpan Common Stock or the election of directors of Tarpan; (viii) agreement or indenture relating to the borrowing of money or to mortgaging, pledging or otherwise placing a lien on any of the assets of Tarpan; (ix) guaranty of any obligation for borrowed money or otherwise; (x) lease or agreement under which Tarpan is lessee of, or holds or operates any property, real or personal, owned by any other party, for which the annual rental exceeds $10,000; (xi) lease or agreement under which Tarpan is lessor of, or permits any third party to hold or operate, any property, real or personal, for which the annual rental exceeds $10,000; (xii) contract which prohibits Tarpan from freely engaging in business anywhere in the world; (xiii) license agreement or agreement providing for the payment or receipt of royalties or other compensation by Tarpan in connection with the intellectual property rights listed in **Schedule 3.20(b)** hereto; (xiv) contract or commitment for capital expenditures in excess of $10,000; (xv) agreement for the sale of any capital asset; or (xvi) other agreement which is either material to Tarpan's business or was not entered into in the ordinary course of business.

(b) To Tarpan's knowledge, Tarpan has performed, in all material respects, the obligations required to be performed by it in connection with the contracts or commitments required to be disclosed in **Schedule 3.7** hereto and is not in receipt of any claim of default under any contract or commitment required to be disclosed under such caption; Tarpan has no present expectation or intention of not fully performing any material obligation pursuant to any contract or commitment required to be disclosed under such caption; and Tarpan has no knowledge of any breach or anticipated breach by any other party to any contract or commitment required to be disclosed under such caption.

3.8 Affiliate Transactions. Except as set forth in **Schedule 3.8** hereto, and other than pursuant to this Agreement, no officer, director or employee of Tarpan, or any member of the immediate family of any such officer, director or employee, or any entity in which any of such Persons owns any beneficial interest in Tarpan (other than any publicly-held corporation whose stock is traded on a national securities exchange or in the over-the-counter market and less than five percent of the stock of which is beneficially owned by any of such Persons) (collectively, the "Tarpan Insiders"), has any agreement with Tarpan (other than normal employment arrangements) or any interest in any property, real, personal or mixed, tangible or intangible, used in or pertaining to the business of Tarpan (other than ownership of capital stock of Tarpan). Except as set forth on **Schedule 3.8**, Tarpan is not indebted to any Tarpan Insider (except for amounts due as normal salaries and bonuses and in reimbursement of ordinary business expenses) and no Tarpan Insider is indebted to Tarpan (except for cash advances for ordinary business expenses). None of the Tarpan Insiders has any direct or indirect interest in any competitor, supplier or customer of Tarpan or in any Person from whom or to whom Tarpan leases any property, or in any other Person with whom Tarpan transacts business of any nature. For purposes of this **Section 3.8**, the members of the immediate family of an officer, director or employee shall consist of the spouse, parents, children and siblings of such officer, director or employee.

3.9 Compliance with Laws; Permits.

(a) Except for any noncompliance that would not reasonably be expected to have a Material Adverse Effect on Tarpan, Tarpan and its officers, directors, agents and employees have complied with all applicable laws, Environmental Laws, regulations and other requirements, including, but not limited to, federal, state, local and foreign laws, ordinances, rules, regulations and other requirements pertaining to equal employment opportunity, employee retirement, affirmative action and other hiring practices, occupational safety and health, workers' compensation, unemployment and building and zoning codes, and no claims have been filed against Tarpan, and Tarpan has not received any written notice, alleging a violation of any such laws, Environmental Laws, regulations or other requirements. Tarpan is not relying on any exemption from or deferral of any such applicable law, Environmental Laws, regulation or other requirement that would not be available to Manhattan after it acquires Tarpan's properties, assets and business.

(b) Tarpan has, in full force and effect, all material licenses, permits, Environmental Permits and certificates, from federal, state, local and foreign authorities (including, without limitation, federal and state agencies regulating occupational health and safety) necessary to conduct its business and operate its properties (collectively, the "Tarpan Permits"), except for such Tarpan Permits which would not, individually or in the aggregate, have a Material Adverse Effect on Tarpan. A true, correct and complete list of all of the Tarpan Permits is set forth in **Schedule 3.9** hereto. To the knowledge of Tarpan, Tarpan has conducted its business in compliance with all material terms and conditions of the Tarpan Permits, except for any noncompliance that would not reasonably be expected to have a Material Adverse Effect on Tarpan.

3.10 Financial Statements. Tarpan has provided Manhattan with an unaudited balance sheet of Tarpan as of December 31, 2004, and the related unaudited statements of income, changes in stockholders' equity and cash flows of Tarpan for the periods then ended (the "Tarpan Financial Statements"). The Tarpan Financial Statements have been prepared in a manner consistent with past practice and fairly present, in all material respects, the financial position and the results of operations, changes in stockholders' equity, and cash flows of Tarpan as of the date of and for the period referred to in the Tarpan Financial Statements.

3.11 Books and Records. The books of account, minute books, stock record books, and other similar records of Tarpan, complete copies of which have been made available to Manhattan, have been properly kept and contain no inaccuracies except for inaccuracies that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Tarpan.

3.12 Real Property. Tarpan does not own any real property. **Schedule 3.12** contains a list of all leaseholds and other interests of Tarpan in any real property. Tarpan has good and valid title to such leaseholds and other interests free and clear of all liens and encumbrances, except for such liens and encumbrances which do not detract from the value or interfere with the present use of the property subject thereto or affected thereby. The real property to which such leaseholds and other interests pertain constitutes all of the real property used in Tarpan's business.

3.13 Insurance. The insurance policies obtained and maintained by Tarpan that are material to Tarpan are in full force and effect, all premiums due and payable thereon have been paid (other than retroactive or retrospective premium adjustments that Tarpan is not currently required, but may in the future be required, to pay with respect to any period ending prior to the date of this Agreement), and Tarpan has received no written notice of cancellation or termination with respect to any such policy that has not been replaced on substantially similar terms prior to the date of such cancellation.

3.14 No Undisclosed Liabilities. Except as reflected in the audited balance sheet of Tarpan as of December 31, 2004 or the related notes thereto (the "Tarpan Latest Balance Sheet"), Tarpan has no liabilities (whether accrued, absolute, contingent, unliquidated or otherwise) except liabilities which have arisen since the date of the Tarpan Latest Balance Sheet in the ordinary course of business consistent with past practice (none of which is a material uninsured liability for breach of contract, breach of warranty, tort, infringement, claim or lawsuit).

3.15 Environmental Matters. None of the operations of Tarpan involves the generation, transportation, treatment, storage or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260-270 or any state, local or foreign equivalent. To the knowledge of Tarpan, none of the facilities of Tarpan are undertaking, nor has Tarpan received written notice that it is subject to, Remedial Action, except for such Remedial Actions that would not have a Material Adverse Effect on Tarpan.

3.16 Absence of Certain Developments. Except as disclosed in the Tarpan Financial Statements or as otherwise contemplated by this Agreement, since December 31, 2004, Tarpan has conducted its business in all material respects in the ordinary course consistent with past practice and there has not occurred (i) any event that would have a Material Adverse Effect on Tarpan, (ii) any event that would reasonably be expected to prevent or materially delay the performance of Tarpan's obligations pursuant to this Agreement, (iii) any material change by Tarpan in its accounting methods, principles or practices, (iv) any declaration, setting aside or payment of any dividend or distribution in respect of the shares of capital stock of Tarpan or any redemption, purchase or other acquisition of any of Tarpan's securities, (v) any material increase in the compensation or benefits or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plan of Tarpan, or any other material increase in the compensation payable or to become payable to any employees, officers, consultants or directors of Tarpan, (vi) other than issuances of options pursuant to duly adopted option plans, any issuance, grants or sale of any stock, options, warrants, notes, bonds or other securities, or entry into any agreement with respect thereto by Tarpan, (vii) any amendment to the Certificate of Incorporation or Bylaws of Tarpan, (viii) other than in the ordinary course of business consistent with past practice, any (w) capital expenditures by Tarpan, (x) purchase, sale, assignment or transfer of any material assets by Tarpan, (y) mortgage, pledge or existence of any lien, encumbrance or charge on any material assets or properties, tangible or intangible, of Tarpan, except for liens for taxes not yet due and such other liens, encumbrances or charges which do not, individually or in the aggregate, have a Material Adverse Effect on Tarpan, or (z) cancellation, compromise, release or waiver by Tarpan of any rights of material value or any material debts or claims, (ix) any incurrence by Tarpan of any material liability (absolute or contingent), except for current liabilities and obligations incurred in the ordinary course of business consistent with past practice, (x) damage, destruction or similar loss, whether or not covered by insurance, materially affecting the business or properties of Tarpan, (xi) entry into any agreement, contract, lease or license other than in the ordinary course of business consistent with past practice, (xii) any acceleration, termination, modification or cancellation of any agreement, contract, lease or license to which Tarpan is a party or by which it is bound, (xiii) entry by Tarpan into any loan or other transaction with any officers, directors or employees of Tarpan, (xiv) any charitable or other capital contribution by Tarpan or pledge therefore, (xv) entry by Tarpan into any transaction of a material nature other than in the ordinary course of business consistent with past practice, or (xvi) any negotiation or agreement by Tarpan to do any of the things described in the preceding clauses (i) through (xv).

3.17 Employee Benefit Plans. (a) **Schedule 3.17(a)** lists all material (i) "employee benefit plans," within the meaning of Section 3(3) of ERISA, of Tarpan, (ii) bonus, stock option, stock purchase, stock appreciation right, incentive, deferred compensation, supplemental retirement, severance, and fringe benefit plans, programs, policies or arrangements, and (iii) employment or consulting agreements, for the benefit of, or relating to, any current or former employee (or any beneficiary thereof) of Tarpan, in the case of a plan described in (i) or (ii) above, that is currently maintained by Tarpan or with respect to which Tarpan has an obligation to contribute, and in the case of an agreement described in (iii) above, that is currently in effect (the "Tarpan Plans"). Tarpan has heretofore made available to Manhattan true and complete copies of the Tarpan Plans and any amendments thereto, any related trust, insurance contract, summary plan description, and, to the extent required under ERISA or the Code, the most recent annual report on Form 5500 and summaries of material modifications.

(b) No Tarpan Plan is (1) a "multiemployer plan" within the meaning of Sections 3(37) or 4001(a)(3) of ERISA, (2) a "multiple employer plan" within the meaning of Section 3(40) of ERISA or Section 413(c) of the Code, or (3) subject to Title IV of ERISA or Section 412 of the Code.

(c) There is no proceeding pending or, to Tarpan's knowledge, threatened against the assets of any Tarpan Plan or, with respect to any Tarpan Plan, against Tarpan other than proceedings that would not reasonably be expected to have a Material Adverse Effect on Tarpan, and to Tarpan's knowledge, there is no proceeding pending or threatened in writing against any fiduciary of any Tarpan Plan other than proceedings that would not reasonably be expected to have a Material Adverse Effect on Tarpan.

(d) Each of the Tarpan Plans has been operated and administered in all material respects in accordance with its terms and applicable law, including, but not limited to, ERISA and the Code.

(e) Each of the Tarpan Plans that is intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination, notification, or opinion letter from the IRS.

(f) Except as set forth in **Schedule 3.17(f)**, no director, officer, or employee of Tarpan will become entitled to retirement, severance or similar benefits or to enhanced or accelerated benefits (including any acceleration of vesting or lapsing of restrictions with respect to equity-based awards) under any Tarpan Plan solely as a result of consummation of the transactions contemplated by this Agreement.

3.18 Employees.

(a) **Schedule 3.18** lists the following information for each employee and each director of Tarpan as of the date of this Agreement, including each employee on leave of absence or layoff status: (1) name; (2) job title; (3) current annual base salary or annualized wages; (4) bonus compensation earned during 2004; (5) vacation accrued and unused; (6) service credited for purposes of vesting and eligibility to participate under Tarpan Plans; and (7) the number of shares of Tarpan Common Stock beneficially owned by each such employee. **Schedule 3.18** also lists the following information for each consultant or advisory board member of Tarpan, as of the date of this Agreement: (x) name; (y) services performed in 2004; and (z) compensation received from Tarpan with respect to services performed in 2004.

(b) Except as otherwise set forth in **Schedule 3.18**, or as contemplated by this Agreement, to the knowledge of Tarpan, (i) neither any executive employee of Tarpan nor any group of Tarpan's employees has any plans to terminate his, her or its employment; (ii) Tarpan has no material labor relations problem pending and its labor relations are satisfactory; (iii) there are no workers' compensation claims pending against Tarpan nor is Tarpan aware of any facts that would give rise to such a claim; (iv) no employee of Tarpan is subject to any secrecy or noncompetition agreement or any other agreement or restriction of any kind that would impede in any way the ability of such employee to carry out fully all activities of such employee in furtherance of the business of Tarpan; and (v) no employee or former employee of Tarpan has any claim with respect to any intellectual property rights of Tarpan set forth in **Schedule 3.20(b)** hereto.

3.19 Proprietary Information and Inventions. Each current Tarpan employee, consultant, and advisory board member is a party to either a non-disclosure agreement or an employment agreement with Tarpan containing comparable non-disclosure provisions. To Tarpan's knowledge, no current or former Tarpan employee, consultant or advisory board member who is a party to a non-disclosure agreement has breached such non-disclosure agreement. To Tarpan's knowledge, no current or former Tarpan employee, consultant or advisory board member who is a party to an employment agreement with Tarpan has breached the non-disclosure provisions of such agreement.

3.20 Intellectual Property. (a) Except as set forth in **Schedule 3.20(a)**, to its knowledge, Tarpan owns, or has valid and enforceable licenses to use, all of the following used in or necessary to conduct its business as currently conducted (collectively, the "Tarpan Intellectual Property"):

(1) patents (including any registrations, continuations, continuations in part, renewals, and any applications for any of the foregoing) (collectively, the "Patents");

(2) registered and unregistered copyrights and copyright applications (collectively, the "Copyrights");

(3) registered and unregistered trademarks, service marks, trade names, slogans, logos, designs and general intangibles of like nature, together with all registrations and applications therefor (collectively, the "Trademarks");

(4) trade secrets, confidential or proprietary technical information, know-how, designs, processes, research in progress, inventions and invention disclosures (whether patentable or unpatentable) (collectively, the "Know-How"); and

(5) software, other than "off-the-shelf" software (the "Software," and together with the Patents, Copyrights, Trademarks, and Know-How, the "Intellectual Property").

(b) Set forth on **Schedule 3.20(b)** is a complete and accurate list of all material Patents, Trademarks, registered or material Copyrights and software owned or licensed by Tarpan. **Schedule 3.20(b)** sets forth a complete and accurate list of all Persons from which or to which Tarpan licenses any material Intellectual Property.

(c)To its knowledge, Tarpan is the sole and exclusive owner of the Tarpan Intellectual Property its purports to own, free and clear of all liens and encumbrances, except for such liens and encumbrances which, individually or in the aggregate, would not have a Material Adverse Effect on Tarpan, and free of all licenses except those set forth in **Schedule 3.20(c)** and licenses relating to off-the-shelf software having a per-application acquisition price of less than $5,000. To Tarpan's knowledge, no Copyright registration, Trademark registration, or Patent set forth in **Schedule 3.20(b)** has lapsed, expired or been abandoned or cancelled, or is subject to any pending or, to Tarpan's knowledge, threatened opposition or cancellation proceeding in any country.

(d)Except as set forth in **Schedule 3.20(d)** and except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Tarpan, to Tarpan's knowledge, (1) neither the conduct of Tarpan's business nor the manufacture, marketing, licensing, sale, distribution or use of its products or services infringes upon the proprietary rights of any Person, and (2) there are no infringements of the Tarpan Intellectual Property by any Person. Except as set forth in **Schedule 3.20(a)** and **Schedule 3.20(c)** and except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Tarpan, there are no claims pending or, to Tarpan's knowledge, threatened (1) alleging that Tarpan's business as currently conducted infringes upon or constitutes an unauthorized use or violation of the proprietary rights of any Person, (2) alleging that the Tarpan Intellectual Property is being infringed by any Person, or (3) challenging the ownership, validity or enforceability of the Tarpan Intellectual Property.

(e) Tarpan has not entered into any material consent agreement, indemnification agreement, forbearance to sue, settlement agreement or cross-licensing arrangement with any Person relating to the Tarpan Intellectual Property other than as part of the license agreements listed in **Schedule 3.20(b)** or set forth in **Schedule 3.20(c)**.

(f)Except as set forth in **Schedule 3.20(f)**, Tarpan is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations under this Agreement, in breach of any license, sublicense or other contract relating to the Tarpan Intellectual Property that would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Tarpan.

3.21 Tax-Free Reorganization. Neither Tarpan nor, to Tarpan's knowledge, any of its Affiliates has taken or agreed to take any action that would prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

3.22 Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Tarpan Common Stock is the only vote of the holders of any class or series of Tarpan capital stock necessary to approve this Agreement, the Merger and the other transactions contemplated hereby.

3.23 Full Disclosure. The representations and warranties of Tarpan contained in this Agreement (and in any schedule, exhibit, certificate or other instrument to be delivered under this Agreement) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which such statements were made, not misleading. There is no fact of which Tarpan has knowledge that has not been disclosed to Manhattan pursuant to this Agreement, including the schedules hereto, all taken together as a whole, which has had or would reasonably be expected to have a Material Adverse Effect on Tarpan or materially adversely affect the ability of Tarpan to consummate in a timely manner the transactions contemplated hereby.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF MANHATTAN AND TAC

Manhattan and TAC hereby represent and warrant to Tarpan as follows:

4.1 Organization and Qualification. Each of Manhattan and TAC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite corporate power and authority to own, lease and operate its assets and to carry on its business as now conducted. The copies of the Certificate of Incorporation and Bylaws of each of Manhattan and TAC that have been made available to Tarpan on or prior to the date of this Agreement are correct and complete copies of such documents as in effect as of the date of this Agreement. Manhattan is duly licensed or qualified to do business in every jurisdiction in which the nature of its business or the ownership or leasing of its properties requires it to be licensed or qualified, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Manhattan.

4.2 Authority Relative to this Agreement; Non-Contravention. Each of Manhattan and TAC has the requisite corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by each of Manhattan and TAC, and the consummation by Manhattan and TAC of the transactions contemplated hereby have been duly authorized by the Boards of Directors of each of Manhattan and TAC and by Manhattan as the sole stockholder of TAC. No other corporate proceedings on the part of Manhattan or TAC are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby or will otherwise be sought by Manhattan. This Agreement has been duly executed and delivered by Manhattan and TAC and, assuming it is a valid and binding obligation of Tarpan, constitutes a valid and binding obligation of Manhattan and TAC enforceable in accordance with its terms except as enforcement may be limited by general principles of equity whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally. Except as set forth in **Schedule 4.2**, neither Manhattan nor TAC is subject to, nor obligated under, any provision of (a) their respective Certificate of Incorporation or Bylaws, (b) any agreement, arrangement or understanding, (c) any license, franchise or permit, nor (d) subject to obtaining the approvals referred to in the next sentence, any law, regulation, order, judgment or decree, which would conflict with, be breached or violated, or in respect of which a right of termination or acceleration or any security interest, charge or encumbrance on any of its assets would be created, by the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby, other than any such conflicts, breaches, violations, rights of termination or acceleration or security interests, charges or encumbrances which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Manhattan. Except for (a) approvals under applicable blue sky laws, (b) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, and (c) such filings, authorizations or approvals as may be set forth in **Schedule 4.2**, no authorization, consent or approval of, or filing with, any public body, court or authority is necessary on the part of Manhattan or TAC for the consummation by Manhattan or TAC of the transactions contemplated by this Agreement, except for such authorizations, consents, approvals and filings as to which the failure to obtain or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Manhattan or TAC or materially adversely affect the consummation of the transactions contemplated hereby.

4.3 Capitalization.

(a) The authorized, issued and outstanding shares of capital stock of Manhattan as of the date hereof are correctly set forth on **Schedule 4.3(a)**. The issued and outstanding shares of capital stock of Manhattan have been duly authorized and validly issued, are fully paid and nonassessable, and have not been issued in violation of any preemptive rights. Other than as described on **Schedule 4.3(a)**, Manhattan has no other equity securities or securities containing any equity features that are authorized, issued or outstanding. Except as set forth in **Schedule 4.3(a)** hereto, there are no agreements or other rights or arrangements existing which provide for the sale or issuance of capital stock by Manhattan and there are no rights, subscriptions, warrants, options, conversion rights or agreements of any kind outstanding to purchase or otherwise acquire from Manhattan any shares of capital stock or other securities of Manhattan of any kind. Except as set forth on **Schedule 4.3(a)**, there are no agreements or other obligations (contingent or otherwise) which may require Manhattan to repurchase or otherwise acquire any shares of its capital stock.

(b) To Manhattan's knowledge, there exist no voting trusts, proxies, or other contracts with respect to the voting of shares of capital stock of Manhattan.

(c) The authorized capital of TAC consists of 1,000 shares of common stock, par value $.001 per share, all of which are issued and outstanding and held of record by Manhattan as of the date hereof. The issued and outstanding shares of capital stock of TAC are duly authorized, validly issued, fully paid and nonassessable and have not been issued in violation of any preemptive rights. Except as disclosed on **Schedule 4.3(c)**, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments obligating TAC to issue, sell, purchase or redeem any shares of its capital stock or securities or obligations of any kind convertible into or exchangeable for any shares of its capital stock

4.4 Exchange Act Reports. Prior to the date of this Agreement, Manhattan has delivered or made available to Tarpan complete and accurate copies of (a) Manhattan's Annual Report on Form 10-KSB (as amended) for the year ended December 31, 2003 (the "Manhattan 10-K Report") as filed with the SEC, (b) all Manhattan proxy statements and annual reports to stockholders used in connection with meetings of Manhattan stockholders held since January 1, 2004 (the "Manhattan Proxy Statements"); (c) Manhattan's Quarterly Reports on Form 10-QSB for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004, (the "Manhattan 10-Q Reports"), as filed with the SEC; and (d) all current reports on Form 8-K filed with the SEC after December 31, 2003 (the "Manhattan 8-K Reports,") or registration statements (together with the Manhattan 8-K Reports, the Manhattan 10-K Reports, the Manhattan Proxy Statements and the Manhattan 10-Q Reports, the "Manhattan SEC Filings"). As of their respective dates or as subsequently amended prior to the date hereof, each of the Manhattan SEC Filings (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (ii) complied in all material respects with the Securities Act, the Exchange Act and the applicable rules and regulations of the SEC. Since January 1, 2004, Manhattan has filed in a timely manner all reports that it was required to file with the SEC pursuant to the Exchange Act. Each of the financial statements (including footnotes thereto) included in or incorporated by reference in the Manhattan SEC Filings (i) complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto, (ii) was prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as otherwise noted therein) and (iii) fairly present, in all material respects, the financial condition of Manhattan as of the respective dates thereof and results of operations and cash flows for the periods referred to therein. The principal executive officer and the principal financial officer of Manhattan have signed, and Manhattan has filed with the SEC, all certifications required by Section 906 of the Sarbanes-Oxley Act of 2002 and such certifications contain no qualifications or exceptions to the matters certified therein and have not been modified or withdrawn, and neither Manhattan nor any of its officers has received notice from any governmental entity questioning or challenging the accuracy, completeness, form or manner of filing of such certifications.

4.5 Absence of Certain Developments. Except as set forth in **Schedule 4.5** or as disclosed in the Manhattan SEC Filings or as otherwise contemplated by this Agreement, since September 30, 2004, Manhattan has conducted its business in all material respects in the ordinary course consistent with past practice and there has not occurred (i) any event that would have a Material Adverse Effect on Manhattan, (ii) any event that would reasonably be expected to prevent or materially delay the performance of Manhattan's obligations pursuant to this Agreement, (iii) any material change by Manhattan in its accounting methods, principles or practices, (iv) any declaration, setting aside or payment of any dividend or distribution in respect of the shares of capital stock of Manhattan, except for dividends declared and paid in accordance with the terms of Manhattan's Series A Convertible Preferred Stock, $.001 par value per share, or any redemption, purchase or other acquisition of any of Manhattan's securities, (v) any material increase in the compensation or benefits or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plan of Manhattan, or any other material increase in the compensation payable or to become payable to any employees, officers, consultants or directors of Manhattan, (vi) other than issuances of options pursuant to duly adopted option plans, any issuance, grants or sale of any stock, options, warrants, notes, bonds or other securities, or entry into any agreement with respect thereto by Manhattan, (vii) any amendment to the Certificate of Incorporation or Bylaws of Manhattan, (viii) other than in the ordinary course of business consistent with past practice, any (w) capital expenditures by Manhattan, (x) purchase, sale, assignment or transfer of any material assets by Manhattan, (y) mortgage, pledge or existence of any lien, encumbrance or charge on any material assets or properties, tangible or intangible, of Manhattan, except for liens for taxes not yet due and such other liens, encumbrances or charges which do not, individually or in the aggregate, have a Material Adverse Effect on Manhattan, or (z) cancellation, compromise, release or waiver by Manhattan of any rights of material value or any material debts or claims, (ix) any incurrence by Manhattan of any material liability (absolute or contingent), except for current liabilities and obligations incurred in the ordinary course of business consistent with past practice, (x) damage, destruction or similar loss, whether or not covered by insurance, materially affecting the business or properties of Manhattan, (xi) entry by Manhattan into any agreement, contract, lease or license other than in the ordinary course of business consistent with past practice, (xii) any acceleration, termination, modification or cancellation of any agreement, contract, lease or license to which Manhattan is a party or by which it is bound, (xiii) entry by Manhattan into any loan or other transaction with any officers, directors or employees of Manhattan, (xiv) any charitable or other capital contribution by Manhattan or pledge therefore, (xv) entry by Manhattan into any transaction of a material nature other than in the ordinary course of business consistent with past practice, or (xvi) any negotiation or agreement by Manhattan to do any of the things described in the preceding clauses (i) through (xv).

4.6 Absence of Undisclosed Liabilities. Except as reflected in the audited consolidated balance sheet of Manhattan as of December 31, 2004 included in Manhattan's Annual Report on Form 10-KSB for the year ended December 31, 2004 (the "Manhattan Latest Balance Sheet"), Manhattan has no liabilities (whether accrued, absolute, contingent, unliquidated or otherwise except (i) liabilities which have arisen since the date of the Manhattan Latest Balance Sheet in the ordinary course of business consistent with past practice (none of which is a material uninsured liability for breach of contract, breach of warranty, tort, infringement, claim or lawsuit), or (ii) as otherwise set forth in **Schedule 4.6** attached hereto.

4.7 Litigation. Except as set forth in **Schedule 4.7**, there are no actions, suits, proceedings, orders or investigations pending or, to the knowledge of Manhattan, threatened against Manhattan, at law or in equity, or before or by any federal, state or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign.

4.8 No Brokers or Finders. Except for InteCap, Inc., which has been engaged by Manhattan to render a fairness opinion in connection with the Merger, there are no claims for brokerage commissions, finders' fees, investment advisory fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement, understanding, commitment or agreement made by or on behalf of Manhattan.

4.9 Validity of the Manhattan Common Stock. The shares of Manhattan Common Stock representing the Merger Consideration will be, when issued in accordance with the terms of this Agreement, duly authorized, validly issued, fully paid and nonassessable.

4.10 Tax Matters.

(a) (i) Manhattan has timely filed (or has had timely filed on its behalf) all returns, declarations, reports, estimates, information returns, and statements, including any schedules and amendments to such documents (the "Manhattan Returns"), required to be filed or sent by it in respect of any Taxes or required to be filed or sent by it to any taxing authority having jurisdiction; (ii) all such Manhattan Returns are complete and accurate in all material respects; (iii) Manhattan has timely and properly paid (or has had paid on its behalf) all Taxes required to be paid by it; (iv) Manhattan has established on the Manhattan Latest Balance Sheet, in accordance with GAAP, reserves that are adequate for the payment of any Taxes not yet due and payable; and (v) Manhattan has complied with all applicable laws, rules, and regulations relating to the collection or withholding of Taxes from third parties (including, without limitation, employees) and the payment thereof (including, without limitation, withholding of Taxes under Sections 1441 and 1442 of the Code, or similar provisions under any foreign laws).

(b) There are no material liens for Taxes upon any assets of Manhattan, except liens for Taxes not yet due.

(c) No deficiency for any Taxes has been proposed, asserted or assessed against Manhattan that has not been resolved and paid in full or is not being contested in good faith. Except as disclosed in **Schedule 4.10**, no waiver, extension or comparable consent given by Manhattan regarding the application of the statute of limitations with respect to any Taxes or Manhattan Returns is outstanding, nor is any request for any such waiver or consent pending. Except as disclosed in **Schedule 4.10**, there has been no Tax audit or other administrative proceeding or court proceeding with regard to any Taxes or Manhattan Returns, nor is any such Tax audit or other proceeding pending, nor has there been any notice to Manhattan by any Taxing authority regarding any such Tax audit or other proceeding, or, to the knowledge of Manhattan, is any such Tax audit or other proceeding threatened with regard to any Taxes or Manhattan Returns. Manhattan does not expect the assessment of any additional Taxes of Manhattan for any period prior to the date hereof and has no knowledge of any unresolved questions, claims or disputes concerning the liability for Taxes of Manhattan which would exceed the estimated reserves established on its books and records.

(d) Except as set forth on **Schedule 4.10**, Manhattan is not a party to any agreement, contract or arrangement that would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code and the consummation of the transactions contemplated by this Agreement will not be a factor causing payments to be made by Manhattan not to be deductible (in whole or in part) under Section 280G of the Code. Manhattan is not liable for Taxes of any other Person nor is currently under any contractual obligation to indemnify any Person with respect to Taxes, or a party to any Tax sharing agreement or any other agreement providing for payments by Manhattan with respect to Taxes. Manhattan is not a party to any joint venture, partnership or other arrangement or contract which could be treated as a partnership for federal income tax purposes. Manhattan has not agreed and is not required, as a result of a change in method of accounting or otherwise, to include any adjustment under Section 481 of the Code (or any corresponding provision of state, local or foreign law) in taxable income. **Schedule 4.10** contains a list of all jurisdictions in which Manhattan is required to file any Manhattan Return and no claim has been made by a taxing authority in a jurisdiction where Manhattan does not currently file Manhattan Returns that Manhattan is or may be subject to taxation by that jurisdiction. There are no advance rulings in respect of any Tax pending or issued by any Taxing authority with respect to any Taxes of Manhattan. Manhattan has not entered into any gain recognition agreements under Section 367 of the Code and the regulations promulgated thereunder. Manhattan is not liable with respect to any indebtedness the interest of which is not deductible for applicable federal, foreign, state or local income tax purposes.

(e) Manhattan has been neither a "distributing corporation" nor a "controlled corporation" (within the meaning of Section 355 of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code.

(f) Except as set forth on **Schedule 4.10**, Manhattan has not requested any extension of time within which to file any Manhattan Return, which return has not since been filed.

4.11 Contracts and Commitments.

(a) To Manhattan's knowledge, Manhattan has performed all material obligations required to be performed by it in connection with the contracts or agreements required to be filed with the Manhattan SEC Filings and is not in receipt of any claim of default under any contract or agreements required to be filed with the Manhattan SEC Filings; Manhattan has no present expectation or intention of not fully performing any material obligation pursuant to any contract or agreement required to be filed with the Manhattan SEC Filings; and Manhattan has no knowledge of any breach or anticipated breach by any other party to any contract or agreement required to be filed with the Manhattan SEC Filings.

4.12 Intellectual Property.

(a) Except as set forth in **Schedule 4.12(a)**, to its knowledge, Manhattan owns or has valid and enforceable licenses to use, all of the following used in or necessary to conduct its business as currently conducted (collectively, the "Manhattan Intellectual Property"): (i) the Patents; (ii) the Copyrights; (iii) the Trademarks; (iv) the Know-How; and (v) the Software.

(b) Set forth on **Schedule 4.12(b)** is a complete and accurate list of all material Patents, Trademarks, registered or material Copyrights and Software owned or licensed by Manhattan. **Schedule 4.12(b)** sets forth a complete and accurate list of all Persons from which or to which Manhattan licenses any material Intellectual Property.

(c) To its knowledge, Manhattan is the sole and exclusive owner of the Manhattan Intellectual Property it purports to own, free and clear of all liens and encumbrances, except for such liens and encumbrances which, individually or in the aggregate, would not have a Material Adverse Effect on Manhattan, and free of all licenses except those set forth in **Schedule 4.12(c)** and licenses relating to off-the-shelf software having a per-application acquisition price of less than $5,000. To Manhattan's knowledge, no Copyright registration, Trademark registration, or Patent set forth in **Schedule 4.12(b)** has lapsed, expired or been abandoned or cancelled, or is subject to any pending or, to Manhattan's knowledge, threatened opposition or cancellation proceeding in any country.

(d) Except as set forth in **Schedule 4.12(d)** and except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Manhattan, to Manhattan's knowledge, (1) neither the conduct of Manhattan's business nor the manufacture, marketing, licensing, sale, distribution or use of its products or services infringes upon the proprietary rights of any Person, and (2) there are no infringements of the Manhattan Intellectual Property by any Person. Except as set forth in **Schedule 4.12(a)** and **Schedule 4.12(c)** and except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Manhattan, there are no claims pending or, to Manhattan's knowledge, threatened (1) alleging that Manhattan's business as currently conducted infringes upon or constitutes an unauthorized use or violation of the proprietary rights of any Person, (2) alleging that the Manhattan Intellectual Property is being infringed by any Person, or (3) challenging the ownership, validity or enforceability of the Manhattan Intellectual Property.

(e) Manhattan has not entered into any material consent agreement, indemnification agreement, forbearance to sue, settlement agreement or cross-licensing arrangement with any Person relating to the Manhattan Intellectual Property other than as part of the license agreements listed in **Schedule 4.12(b)** or set forth in **Schedule 4.12(c)**.

(f) Except as set forth in **Schedule 4.12(f)**, Manhattan is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations under this Agreement, in breach of any license, sublicense or other contract relating to the Manhattan Intellectual Property that would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Manhattan.

4.13 Affiliate Transactions. Except as set forth in **Schedule 4.13** hereto or disclosed in the Manhattan SEC Filings, and other than pursuant to this Agreement, no officer, director or employee of Manhattan, or any member of the immediate family of any such officer, director or employee, or any entity in which any of such Persons owns any beneficial interest (other than any publicly-held corporation whose stock is traded on a national securities exchange or in the over-the-counter market and less than one percent of the stock of which is beneficially owned by any of such Persons) (collectively, the "Manhattan Insiders"), has any agreement with Manhattan (other than normal employment arrangements) or any interest in any property, real, personal or mixed, tangible or intangible, used in or pertaining to the business of Manhattan (other than ownership of capital stock of Manhattan). Manhattan is not indebted to any Manhattan Insider (except for amounts due as normal salaries and bonuses and in reimbursement of ordinary business expenses) and no Manhattan Insider is indebted to Manhattan except for cash advances for ordinary business expenses). None of the Manhattan Insiders has any direct or indirect interest in any competitor, supplier or customer of Manhattan or in any Person from whom or to whom Manhattan leases any property, or in any other Person with whom Manhattan transacts business of any nature. For purposes of this **Section 4.13**, the members of the immediate family of an officer, director or employee shall consist of the spouse, parents, children and siblings of such officer, director or employee.

4.14 Compliance with Laws; Permits.

(a) Except for any noncompliance that would not reasonably be expected to have a Material Adverse Effect on Manhattan, Manhattan and its officers, directors, agents and employees have complied with all applicable laws, Environmental Laws, regulations and other requirements, including, but not limited to, federal, state, local and foreign laws, ordinances, rules, regulations and other requirements pertaining to equal employment opportunity, employee retirement, affirmative action and other hiring practices, occupational safety and health, workers' compensation, unemployment and building and zoning codes, and no claims have been filed against Manhattan, and Manhattan has not received any written notice, alleging a violation of any such laws, Environmental Laws, regulations or other requirements.

(b) Manhattan has, in full force and effect, all material licenses, permits, Environmental Permits and certificates from federal, state, local and foreign authorities (including, without limitation, federal and state agencies regulating occupational health and safety) necessary to permit it to conduct its business and own and operate its properties (collectively, the "Manhattan Permits"). A true, correct and complete list of all of the material Manhattan Permits is set forth in **Schedule 4.14** hereto. To the knowledge of Manhattan, Manhattan has conducted its business in compliance with all material terms and conditions of the Manhattan Permits, except for any noncompliance that would not reasonably be expected to have a Material Adverse Effect on Manhattan.

4.15 Books and Records. The books of account, minute books, stock record books, and other similar records of Manhattan, complete copies of which have been made available to Tarpan, have been properly kept and contain no inaccuracies except for inaccuracies that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Manhattan.

4.16 Real Property. Manhattan does not own any real property. **Schedule 4.16** contains a list of all leaseholds and other interests of Manhattan in any real property. Manhattan has good and valid title to such leaseholds and other interests free and clear of all liens and encumbrances, except for such liens and encumbrances which do not detract from the value or interfere with the present use of the property subject thereto or affected thereby. The real property to which such leaseholds and other interests pertain constitutes all of the real property used in Manhattan's business.

4.17 Insurance. The insurance policies obtained and maintained by Manhattan that are material to Manhattan are in full force and effect, all premiums due and payable thereon have been paid (other than retroactive or retrospective premium adjustments that Manhattan is not currently required, but may in the future be required, to pay with respect to any period ending prior to the date of this Agreement), and Manhattan has received no written notice of cancellation or termination with respect to any such policy that has not been replaced on substantially similar terms prior to the date of such cancellation.

4.18 Environmental Matters. None of the operations of Manhattan involves the generation, transportation, treatment, storage or disposal of hazardous waste, as defined under 40 C.F.R. Parts 260-270 or any state, local or foreign equivalent. To the knowledge of Manhattan, none of the facilities of Manhattan are undertaking, nor has Manhattan received written notice that it is subject to, Remedial Action, except for such Remedial Actions that would not have a Material Adverse Effect on Manhattan.

4.19 Proprietary Information and Inventions. Each current Manhattan employee, consultant, and advisory board member is a party to either a non-disclosure agreement in the form attached as **Schedule 4.19** or an alternative employment agreement with Manhattan containing comparable non-disclosure provisions. To Manhattan's knowledge, no current or former Manhattan employee, consultant or advisory board member who is a party to a non-disclosure agreement has breached such non-disclosure agreement. To Manhattan's knowledge, no current or former Manhattan employee, consultant or advisory board member who is party to an alternative employment agreement with Manhattan has breached the non-disclosure provisions of such agreement.

4.20 Tax-Free Reorganization. Neither Manhattan nor, to Manhattan's knowledge, any of its Affiliates has taken or agreed to take any action that would prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

4.21 Full Disclosure. The representations and warranties of each of Manhattan and TAC contained in this Agreement (and in any schedule, exhibit, certificate or other instrument to be delivered under this Agreement) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which such statements were made, not misleading. There is no fact of which Manhattan or TAC has knowledge that has not been disclosed to Tarpan in the Manhattan SEC Filings or pursuant to this Agreement, including the schedules hereto, all taken together as a whole, which has had or would reasonably be expected to have a Material Adverse Effect on Manhattan or TAC, or materially adversely affect the ability of Manhattan or TAC to consummate in a timely manner the transactions contemplated hereby.

ARTICLE V
ADDITIONAL COVENANTS AND AGREEMENTS

5.1 Conduct of Business by Tarpan. From the date of this Agreement to the Effective Time, unless Manhattan shall otherwise agree in writing (which consent shall not be unreasonably withheld) or as otherwise expressly contemplated or permitted by other provisions of this Agreement, including but not limited to this **Section 5.1**, Tarpan shall not, directly or indirectly, (a) amend its Certificate of Incorporation or Bylaws, (b) split, combine or reclassify any of its capital stock, (c) declare, set aside, make or pay any dividend or distribution in cash, stock, property or otherwise with respect to any of the capital stock of Tarpan, (d) default in its obligations under any material debt, contract or commitment which default results in the acceleration of obligations due thereunder, except for such defaults arising out of Tarpan's entry into this Agreement for which consents, waivers or modifications are required to be obtained as set forth on **Schedule 3.2**, (e) conduct its business other than in the ordinary course on an arms-length basis and in accordance in all material respects with all applicable laws, rules and regulations and Tarpan's past custom and practice, (f) issue or sell any additional shares of, or options, warrants, conversions, privileges or rights of any kind to acquire any shares of, any of its capital stock, except as otherwise described on **Schedule 5.1** hereto or in connection with the exercise or conversion of Tarpan securities outstanding on the date of this Agreement, (g) acquire (by merger, exchange, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership, joint venture or other business organization or division or material assets thereof or (h) make or change any material tax elections not required by law and inconsistent with past practice, settle or compromise any material tax liability or file any amended tax return.

5.2 Governmental Filings. Each party will use all reasonable efforts and will cooperate with the other party in the preparation and filing, as soon as practicable, of all filings, applications or other documents required under applicable laws, including, but not limited to, the Exchange Act, to consummate the transactions contemplated by this Agreement. Prior to submitting each filing, application, registration statement or other document with the applicable regulatory authority, each party will, to the extent practicable, provide the other party with an opportunity to review and comment on each such filing, application, registration statement or other document to the extent permitted by applicable law. Each party will use all reasonable efforts and will cooperate with the other party in taking any other actions necessary to obtain such regulatory or other approvals and consents at the earliest practicable time, including participating in any required hearings or proceedings. Subject to the terms and conditions herein provided, each party will use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law and regulations to consummate and make effective as promptly as practicable the Merger and the other transactions contemplated by this Agreement.

5.3 Expenses. Except as otherwise provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

5.4 Due Diligence; Access to Information; Confidentiality.

(a) Between the date hereof and the Closing, Tarpan and Manhattan shall afford to the other party and their authorized representatives the opportunity to conduct and complete a due diligence investigation of the other party as described herein. In light of the foregoing, each party shall permit the other party reasonable access on reasonable notice and at reasonable hours to its properties and shall disclose and make available (together with the right to copy) to the other party and its officers, employees, attorneys, accountants and other representatives, all books, papers and records relating to the assets, stock, properties, operations, obligations and liabilities of such party and its subsidiaries, including, without limitation, all books of account (including, without limitation, the general ledger), tax records, minute books of directors' and stockholders' meetings, organizational documents, bylaws, contracts and agreements, filings with any regulatory authority, accountants' work papers, litigation files (including, without limitation, legal research memoranda), attorney's audit response letters, documents relating to assets and title thereto (including, without limitation, abstracts, title insurance policies, surveys, environmental reports, opinions of title and other information relating to the real and personal property), plans affecting employees, securities transfer records and stockholder lists, and any books, papers and records relating to other assets or business activities in which such party may have a reasonable interest, and otherwise provide such assistance as is reasonably requested in order that each party may have a full opportunity to make such investigation and evaluation as it shall reasonably desire to make of the business and affairs of the other party; *provided, however*, that the foregoing rights granted to each party shall, whether or not and regardless of the extent to which the same are exercised, in no way affect the nature or scope of the representations, warranties and covenants of the respective party set forth herein. In addition, each party and its officers and directors shall cooperate fully (including providing introductions, where necessary) with such other party to enable the party to contact third parties, including customers, prospective customers, specified agencies or others as the party deems reasonably necessary to complete its due diligence; *provided* that such party agrees not to initiate such contacts without the prior approval of the other party, which approval will not be unreasonably withheld.

(b) Prior to Closing and if the transactions contemplated by this Agreement are not consummated pursuant to this Agreement, neither Manhattan nor Tarpan nor any of their officers, employees, attorneys, accountants and other representatives shall disclose to third parties or otherwise use any confidential information received from the other party in the course of investigating, negotiating, and performing the transactions contemplated by this Agreement; *provided, however*, that nothing shall be deemed to be confidential information which:

(i) is known to the party receiving the information at the time of disclosure, unless any individual who knows the information is under an obligation to keep that information confidential;

(ii) becomes publicly known or available without the disclosure thereof by the party receiving the information in violation of this Agreement; or

(iii) is received by the party receiving the information from a third party not under an obligation to keep that information confidential.

This provision shall not prohibit the disclosure of information required to be made under federal or state securities laws. If any disclosure is so required, the party making such disclosure shall consult with the other party prior to making such disclosure, and the parties shall use all reasonable efforts, acting in good faith, to agree upon a text for such disclosure which is satisfactory to both parties.

5.5 Tax Treatment. None of Manhattan, TAC or Tarpan, or the Surviving Company after the Effective Time, shall knowingly take any action which could reasonably be expected to disqualify the Merger as a "reorganization" within the meaning of Section 368(a) of the Code.

5.6 Press Releases. Tarpan and Manhattan shall agree with each other as to the form and substance of any press release or public announcement related to this Agreement or the other transactions contemplated hereby; *provided, however*, that nothing contained herein shall prohibit either party, following notification to the other party, from making any disclosure which is required by law or regulation. If any such press release or public announcement is so required, the party making such disclosure shall consult with the other party prior to making such disclosure, and the parties shall use all reasonable efforts, acting in good faith, to agree upon a text for such disclosure which is satisfactory to both parties.

5.7 Private Placement. Each of Tarpan and Manhattan shall take all necessary action on its part such that the issuance of the Merger Consideration to Tarpan stockholders constitutes a valid "private placement" under the Securities Act. Without limiting the generality of the foregoing, Tarpan shall (1) provide each Tarpan stockholder with a stockholder qualification questionnaire in the form reasonably acceptable to both Manhattan and Tarpan (a "Stockholder Questionnaire") and (2) use its reasonable best efforts to cause each Tarpan stockholder to attest that such stockholder either (A) is an "accredited investor" as defined in Regulation D of the Securities Act, (B) has such knowledge and experience in financial and business matters that the stockholder is capable of evaluating the merits and risks of receiving the Merger Consideration, or (C) has appointed an appropriate person reasonably acceptable to both Manhattan and Tarpan to act as the stockholder's purchaser representative in connection with evaluating the merits and risks of receiving the Merger Consideration.

5.8 Tarpan Stockholders' Meeting; Materials to Stockholders.

(a) Tarpan shall, in accordance with Section 251 of the DGCL and its Certificate of Incorporation and By-laws, duly call, give notice of, convene and hold a special meeting of Tarpan Stockholders (the "Tarpan Stockholder Meeting") as promptly as practicable after the date hereof for the purpose of considering and taking action upon this Agreement, the Merger and the other transactions contemplated hereby. Alternatively, Tarpan shall use its reasonable best efforts to obtain, prior to the Tarpan Stockholder Meeting, the written consent of Tarpan stockholders approving this Agreement, the Merger and the other transactions contemplated hereby.

(b) Tarpan shall as promptly as practicable following the date of this Agreement prepare and mail to Tarpan's stockholders all information, including the Information Statement, as may be required to comply with the DGCL, the Securities Act and the Exchange Act.

5.9 No Solicitation. Unless and until this Agreement shall have been terminated pursuant to **Section 7.1**, neither Tarpan nor its officers, directors, Affiliates, employees, investment bankers, brokers or other agents shall, directly or indirectly, encourage, solicit or initiate discussions or negotiations with, or engage in negotiations or discussions with, or provide non-public information to, any Person, other than Manhattan, relating to an Acquisition Proposal; *provided* that Tarpan may engage in such discussion in response to any unsolicited proposal from an unrelated party if the Board of Directors of Tarpan determines, in good faith, after consultation with counsel, that the failure to engage in such discussions may constitute a breach of the fiduciary or legal obligations of the Board of Directors of Tarpan. Tarpan will promptly advise Manhattan if it receives an Acquisition Proposal or inquiry with respect to the matters described above.

5.10Failure to Fulfill Conditions. In the event that any of the parties hereto determines that a condition to its respective obligations to consummate the transactions contemplated hereby cannot be fulfilled on or prior to the termination of this Agreement, such party will promptly notify the other parties hereto.

5.11Registration Rights with Respect to Manhattan Common Stock. Manhattan shall grant to the holders of Tarpan Common Stock, who receive Manhattan Common Stock as Merger Consideration upon the Closing of the Merger, registration rights with respect to those shares of Manhattan Common Stock in accordance with the terms of a registration rights agreement to be entered into by Manhattan and the holders of Tarpan Common Stock as of the Closing Date substantially in the form of Exhibit B attached hereto (the "Registration Rights Agreement").

5.12Notification of Certain Matters. At or prior to the Effective Time, each party shall give prompt notice to the other party of (i) the occurrence or failure to occur of any event or the discovery of any information, which occurrence, failure or discovery would be likely to cause any representation or warranty on its part contained in this Agreement to be untrue, inaccurate or incomplete after the date hereof in any material respect or, in the case of any representation or warranty given as of a specific date, would be likely to cause any such representation or warranty on its part contained in this Agreement to be untrue, inaccurate or incomplete in any material respect as of such specific date, and (ii) any material failure of such party to comply with or satisfy any covenant or agreement to be complied with or satisfied by it hereunder.

5.13Information Statement. Manhattan and Tarpan will prepare the information statement (the "Information Statement") in connection with the Merger in accordance with Regulation D promulgated under the Exchange Act and the DGCL, and Tarpan shall provide the Information Statement to its stockholders as soon as practicable after the date hereof. Manhattan and Tarpan will furnish all information concerning Manhattan and Tarpan, respectively, as may be reasonably necessary or requested in connection with the foregoing. None of the information supplied or to be supplied by Manhattan or Tarpan for inclusion or incorporation by reference in the Information Statement will, at the time of the Information Statement is first published, sent or given to holders of the Tarpan Common Stock, and at any time it is amended or supplemented, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If any of the parties hereto becomes aware prior to the Effective Time of any information furnished by it that would cause any of the statements in the Information Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, it will promptly inform the other parties hereto and to take the necessary steps to correct the Information Statement.

ARTICLE VI
CONDITIONS

6.1 Conditions to Obligations of Each Party. The respective obligations of each party to effect the transactions contemplated hereby are subject to the fulfillment or waiver at or prior to the Effective Time of the following conditions:

(a) No Prohibitive Change of Law. There shall have been no law, statute, rule or regulation, domestic or foreign, enacted or promulgated which would prohibit or make illegal the consummation of the transactions contemplated hereby.

(b) Stockholder Approvals. This Agreement, the Merger and the other transactions contemplated hereby shall have been approved by the Requisite Tarpan Stockholder Vote.

(c) Adverse Proceedings. There shall not be instituted or pending any action or proceeding before any court or governmental authority or agency (i) challenging or seeking to make illegal, or to delay or otherwise directly or indirectly restrain or prohibit, the consummation of the transactions contemplated hereby or seeking to obtain material damages in connection with such transactions, (ii) seeking to prohibit direct or indirect ownership or operation by Manhattan or TAC of all or a material portion of the business or assets of Tarpan, or to compel Manhattan or TAC or any of their respective subsidiaries or Tarpan to dispose of or to hold separately all or a material portion of the business or assets of Manhattan or of Tarpan, as a result of the transactions contemplated hereby; (iii) seeking to invalidate or render unenforceable any material provision of this Agreement or any of the other agreements attached as exhibits hereto or contemplated hereby, or (iv) otherwise relating to and materially adversely affecting the consummation of the transactions contemplated hereby.

(d) Governmental Action. There shall not be any action taken, or any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated, issued or deemed applicable to the transactions contemplated hereby, by any federal, state or other court, government or governmental authority or agency, that would reasonably be expected to result, directly or indirectly, in any of the consequences referred to in **Section 6.1(c)**.

(e) Market Condition. There shall not have occurred any general suspension of trading on the New York Stock Exchange, the Nasdaq Stock Markets, or any suspension of trading in Manhattan Common Stock, or any general bank moratorium or closing or any war, national emergency or other event affecting the economy or securities trading markets generally that would make completion of the Merger impossible.

(f) Federal Tax Opinion. Tarpan shall have received a tax opinion from Reitler Brown & Rosenblatt LLC, counsel to Tarpan, which opinion may be based on customary reliance and subject to customary qualifications, to the effect that for federal income tax purposes:

(i) The Merger will qualify as a reorganization under Section 368(a) of the Code. Tarpan, TAC and Manhattan will each be a party to the reorganization within the meaning of Section 368(b) of the Code; and

(ii) No gain or loss will be recognized by the stockholders of Tarpan upon the receipt by its stockholders of the Merger Consideration pursuant to Section 354(a)(1) of the Code.

6.2 Additional Conditions to Obligation of Manhattan and TAC. The obligation of Manhattan and TAC to consummate the transactions contemplated hereby in accordance with the terms of this Agreement is also subject to the fulfillment or waiver of the following conditions:

(a) Representations and Compliance. The representations and warranties of Tarpan contained in this Agreement, disregarding any materiality qualifications contained herein, shall be true and correct in all material respects on and as of the Effective Time, with the same force and effect as though made on and as of such date. Tarpan shall, in all material respects, have performed each obligation and agreement and complied with each covenant required to be performed and complied with by it hereunder at or prior to the Effective Time.

(b) Officers' Certificate. Tarpan shall have furnished to Manhattan a certificate executed by each of the Chief Executive Officer and the Treasurer of Tarpan, dated as of the Effective Date, in which each such officer shall certify that, to the best of his knowledge, the conditions set forth in **Section 6.2(a)** have been fulfilled.

(c) Secretary's Certificate. Tarpan shall have furnished to Manhattan (i) copies of the text of the resolutions by which the corporate action on the part of Tarpan necessary to approve this Agreement, the Certificate of Merger and the transactions contemplated hereby and thereby were taken, (ii) a certificate dated as of the Effective Date executed on behalf of Tarpan by its corporate secretary or one of its assistant corporate secretaries certifying to Manhattan that such copies are true, correct and complete copies of such resolutions and that such resolutions were duly adopted and have not been amended or rescinded, (iii) an incumbency certificate dated as of the Effective Date executed on behalf of Tarpan by its corporate secretary or one of its assistant corporate secretaries certifying the signature and office of each officer of Tarpan executing this Agreement, the Certificate of Merger or any other agreement, certificate or other instrument executed pursuant hereto by Tarpan, and (iv) a copy of the Certificate of Incorporation of Tarpan, certified by the Secretary of State of the State of Delaware, and a certificate from the Secretary of State of the State of Delaware evidencing the good standing of Tarpan in such jurisdiction.

(d) Consents and Approvals. Tarpan shall have obtained all consents and approvals necessary to consummate the transactions contemplated by this Agreement, including, without limitation, those set forth on **Schedule 3.2**, in order that the transactions contemplated herein not constitute a breach or violation of, or result in a right of termination or acceleration of, or creation of any encumbrance on any of Tarpan's assets pursuant to the provisions of, any agreement, arrangement or undertaking of or affecting Tarpan or any license, franchise or permit of or affecting Tarpan.

(e) Dissenters' Rights. Holders of no more than three percent (3%) of the outstanding shares of Tarpan Common Stock shall have validly exercised, or remained entitled to exercise, their appraisal rights under Section 262 of the DGCL.

(f) Fairness Opinion. Manhattan shall have received a written opinion addressed to it stating that the Merger Consideration to be paid by it in the Merger is fair to the stockholders of Manhattan from a financial point of view, and such fairness opinion shall not have been revoked or withdrawn.

(g) Merger Certificate. Tarpan shall have executed a copy of the Certificate of Merger.

(h) Stockholder Questionnaire. Each of the Tarpan stockholders shall have executed and delivered to Manhattan a completed Stockholder Questionnaire that is accurate in all material respects.

(i) Abel Employment Agreement. Douglas Abel shall enter into a written agreement with Manhattan providing for his employment as chief executive officer of Manhattan from and after the Effective Time and containing such other terms as shall be mutually agreed upon by Manhattan and Mr. Abel. Further, Mr. Abel's existing employment agreement(s) with Tarpan shall be terminated with Tarpan having no further obligation to Mr. Abel, including without limitation, any obligation to make any severance or other payments, and all of Mr. Abel's options to purchase Tarpan securities shall be cancelled.

(j) No Material Adverse Effect. After the date of this Agreement, there shall not have been any Material Adverse Effect.

(k) Tarpan Options and Warrants. Immediately prior to the Effective Time, Tarpan shall not have any outstanding options, warrants or other securities representing the right to receive or purchase shares of Tarpan Common Stock.

(l) Amendment of Notes. Each of the promissory notes described on **Schedule 3.7** shall be amended in order to provide that no more than one-half of the outstanding principal and accrued interest owing under each note be payable upon the Effective Time and the remaining one-half shall not be payable until such time as Manhattan completes a financing transaction resulting in gross proceeds of at least $5,000,000.

6.3 Additional Conditions to Obligation of Tarpan. The obligation of Tarpan to consummate the transactions contemplated hereby in accordance with the terms of this Agreement is also subject to the fulfillment or waiver of the following conditions:

(a) Representations And Compliance. The representations and warranties of Manhattan and TAC contained in this Agreement, disregarding any materiality qualifications contained herein, shall be true and correct in all material respects on and as of the Effective Time, with the same force and effect as though made on and as of such date. Each of Manhattan and TAC shall, in all material respects, have performed each obligation and agreement and complied with each covenant required to be performed and complied with by it hereunder at or prior to the Effective Time.

(b) Officers' Certificate. Manhattan shall have furnished to Tarpan a certificate executed by each of the Chief Executive Officer and the Chief Financial Officer of Manhattan, dated as of the Effective Date, in which each such officer shall certify that, to the best of his knowledge, the conditions set forth in **Section 6.3(a)** have been fulfilled.

(c) Secretary's Certificate. Manhattan shall have furnished to Tarpan (i) copies of the text of the resolutions by which the corporate action on the part of each of Manhattan and TAC necessary to approve this Agreement and the Certificate of Merger, the election of the directors of Surviving Company to serve following the Effective Time and the transactions contemplated hereby and thereby were taken, which shall be accompanied by a certificate of the corporate secretary or assistant corporate secretary of each of Manhattan and TAC, in each case, dated as of the Effective Date certifying to Tarpan that such copies are true, correct and complete copies of such resolutions and that such resolutions were duly adopted and have not been amended or rescinded, (ii) an incumbency certificate dated as of the Effective Date executed on behalf of each of Manhattan and TAC by their respective corporate secretary or one of their respective assistant corporate secretaries certifying the signature and office of each officer of Manhattan and TAC, as the case may be, executing this Agreement, the Certificate of Merger or any other agreement, certificate or other instrument executed pursuant hereto, and (iii) a copy of the Certificate of Incorporation of each of Manhattan and TAC, certified by the Secretary of State of the State of Delaware, and certificates from the Secretary of State of Delaware evidencing the good standing of each of Manhattan and TAC in such jurisdiction.

(d) Consents and Approvals. Manhattan and TAC shall have obtained all consents and approvals necessary to consummate the transactions contemplated by this Agreement, including, without limitation, those set forth on **Schedule 4.2**, in order that the transactions contemplated herein not constitute a breach or violation of, or result in a right of termination or acceleration of, or creation of any encumbrance on any of Manhattan's or TAC's assets pursuant to the provisions of, any agreement, arrangement or undertaking of or affecting Manhattan or TAC or any license, franchise or permit of or affecting Manhattan or TAC.

(e) No Material Adverse Effect. After the date of this Agreement, there shall not have been any Material Adverse Effect.

(f) Legal Opinion. Tarpan shall have received a legal opinion from Maslon Edelman Borman & Brand, LLP, counsel to Manhattan, which opinion may be based on customary reliance and subject to customary qualifications, to the effect that the issuance of the Merger Consideration is exempt from the registration requirements of the Securities Act.

(g) Registration Rights Agreement. Manhattan shall have delivered the Registration Rights Agreement, duly executed by it.

ARTICLE VII
TERMINATION

7.1. Termination. This Agreement may be terminated at any time prior to the Effective Time (notwithstanding the Requisite Tarpan Stockholder Vote):

(a) by mutual consent of Tarpan and Manhattan, if the Board of Directors of each so determines by vote of a majority of the members of its entire board;

(b) by Manhattan, if any representation of Tarpan set forth in this Agreement was inaccurate when made, or becomes inaccurate, such that the condition set forth in **Section 6.2(a)** could not be satisfied;

(c) by Tarpan, if any representation of Manhattan or TAC set forth in this Agreement was inaccurate when made, or becomes inaccurate, such that the condition set forth in **Section 6.3(a)** could not be satisfied;

(d) by Manhattan, if Tarpan fails to perform or comply with any of the obligations that it is required to perform or to comply with under this Agreement such that the condition set forth in **Section 6.2(a)** could not be satisfied;

(e) by Tarpan, if Manhattan or TAC fails to perform or comply with any of the obligations that it is required to perform or to comply with under this Agreement such that the condition set forth in **Section 6.3(a)** could not be satisfied;

(f) by either Tarpan or Manhattan, if the Requisite Tarpan Stockholder Vote shall not have been obtained; or

(g) by either Tarpan or Manhattan, if the Merger and the other transactions contemplated hereby shall not have been consummated on or before April 8, 2005, or such later date as Tarpan and Manhattan may mutually agree (unless the failure to consummate the Merger by such date shall be due to the action or failure to act of the party seeking to terminate this Agreement in breach of such party's obligations under this Agreement).

Any party desiring to terminate this Agreement shall give prior written notice of such termination and the reasons therefor to the other party.

7.2. Effect of Termination. In the event of termination of this Agreement as provided in **Section 7.1** hereof, this Agreement shall become void and there shall be no liability on the part of any of the parties hereto, except for the provisions of **Sections 5.3, 5.4(b), 5.6 and 7.2** and **Article VIII**, which shall survive any termination of this Agreement. No termination of this Agreement shall relieve any party hereto from liability for the willful and intentional breach of its representations, warranties, covenants or agreements set forth in this Agreement occurring prior to such termination and, with respect to **Sections 5.3, 5.4(b), 5.6 and 7.2** and **Article VIII**, occurring prior to, on or after such termination. Any party hereto shall be entitled to recover from the other parties hereto all fees, costs and expenses (including reasonable attorney's fees and expenses) incurred or suffered by it arising out of or due to the other party's breach of its representations, warranties, covenants or agreements under this Agreement (including in any Schedule to this Agreement or certificate provided in connection with the transactions contemplated hereby).

ARTICLE VIII
GENERAL PROVISIONS

8.1 Notices. All notices and other communications hereunder shall be in writing and shall be sufficiently given if made by hand delivery, fax, overnight delivery service, or registered or certified mail (postage prepaid and return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by it by like notice):

If to Tarpan:	Tarpan Therapeutics, Inc. 787 Seventh Avenue, 48th Floor New York, New York 10019 Facsimile: (212) 554-4355 Attn: Douglas Abel and Stephen Rocamboli
With copies to:	Reitler Brown & Rosenblatt LLC 800 Third Avenue, 21st Floor New York, New York 10022 Facsimile: (212) 371-5500 Attn: Scott H. Rosenblatt, Esq.
If to Manhattan or TAC:	Manhattan Pharmaceuticals, Inc. 810 Seventh Avenue, 8th Floor New York, New York 10019 Facsimile: (212) 582-3957 Attn: Chief Financial Officer

With copies to: Maslon Edelman Borman & Brand, LLP
90 South Seventh Street, Suite 3300
Minneapolis, MN 55402
Facsimile: (612) 642-8358
Attn: William M. Mower, Esq.

All such notices and other communications shall be deemed to have been duly given as follows: when delivered by hand, if personally delivered, when received; if delivered by registered or certified mail (postage prepaid and return receipt requested), when receipt acknowledged; if faxed, on the day of transmission or, if that day is not a business day, on the next business day; and the next day delivery after being timely delivered to a recognized overnight delivery service.

8.2 No Survival. The representations and warranties contained in this Agreement and in any instrument delivered pursuant to this Agreement will terminate at the Effective Time or on the termination of this Agreement in accordance with **Sections 7.1 and 7.2**. The covenants or agreements contained in **Article II** and any other covenants or agreements contained in this Agreement requiring performance or compliance after the Effective Time (including, without limitation, **Section 6.3(c)**) shall survive the Effective Time indefinitely.

8.3 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References to Sections, Articles, Exhibits or Schedules refer to Sections of, Articles of, Exhibit to, or Schedule to, this Agreement unless otherwise stated. Words such as "herein," "hereinafter," "hereof," "hereto," "hereby" and "hereunder," and words of like import, unless the context requires otherwise, refer to this Agreement (including the Exhibits and Schedules hereto). As used in this Agreement, the masculine, feminine and neuter genders shall be deemed to include the others if the context requires.

8.4 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties shall negotiate in good faith to modify this Agreement and to preserve each party's anticipated benefits under this Agreement.

8.5 Amendment. Except as otherwise required by applicable law after the stockholders of Tarpan approve this Agreement, the Merger and the other transactions contemplated hereby, this Agreement may be amended or modified by the parties hereto by an instrument in writing signed on behalf of each of the parties hereto.

8.6 Waiver. At any time prior to the Effective Time, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto or (b) waive compliance with any of the agreements of the other parties hereto or with any conditions to its own obligations, in each case only to the extent such obligations, agreements and conditions are intended for its benefit. Any such extension or waiver shall be valid only if made in writing and duly executed by the party giving such extension or waiver. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

8.7 Miscellaneous. This Agreement (together with all other documents and instruments referred to herein) (a) constitutes the entire agreement, and supersedes all prior agreements, understandings and undertakings, both written and oral, among the parties with respect to the subject matter hereof; and (b) shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective successors and assigns, *provided* that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties hereto.

8.8 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

8.9 Third Party Beneficiaries. Except as provided in the following sentence, this Agreement is not intended to confer any right or cause of action hereunder upon any Person other than the parties hereto.

8.10 Governing Law. This Agreement shall be governed by, and construed in accordance with the laws of the State of New York (except to the extent the DGCL applies), without regard to the conflicts of law rules of such state.

8.11 Jurisdiction; Service of Process. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement must be brought against any of the parties in the courts of the State of New York, County of New York, or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of New York, and each of the parties consents to the jurisdiction of those courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any such action or proceeding may be served by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for the giving of notices in **Section 8.1**. Nothing in this **Section 8.11**, however, affects the right of any party to serve legal process in any other manner permitted by law.

[*Remainder of Page Left Intentionally Blank - Signature Page to Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers on the date first written above.

TARPAN THERAPEUTICS, INC.

By: /s/ Douglas Abel

Name: Douglas Abel
Title: President and Chief Executive Officer

MANHATTAN PHARMACEUTICALS, INC.

By: /s/ Nicholas J. Rossettos

Name: Nicholas J. Rossettos
Title: Chief Financial Officer

TARPAN ACQUISITION CORP.

By: /s/ Nicholas J. Rossettos

Name: Nicholas J. Rossettos
Title: President

Exhibit 10.1

EMPLOYMENT AGREEMENT

This Agreement (the "**Agreement**") is entered into as of April 1, 2005 (the "**Effective Date**") by and between MANHATTAN PHARMACEUTICALS, INC., a Delaware corporation with an office at 810 Seventh Avenue, 4th Floor, New York, NY 10019 (the "**Company**"), and DOUGLAS ABEL, residing at 104 Firecut Lane, Sudbury, MA 01776 (the "**Executive**").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive as President and Chief Executive Officer of the Company and the Executive desires to serve the Company in those capacities, all upon the terms and subject to the conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Employment.

(a) Services. The Executive will be employed by the Company as its President and Chief Executive Officer. The Executive will report to the Board of Directors of the Company (the "**Board**") and shall perform such duties as are consistent with his position as President and Chief Executive Officer (the "**Services**"). The Executive agrees to perform such duties faithfully, to devote all of his working time, attention and energies to the business of the Company, and while he remains employed, not to engage in any other business activity that is in conflict with his duties and obligations to the Company.

(b) Acceptance. The Executive hereby accepts such employment and agrees to render the Services.

2. Term. The Executive's employment under this Agreement shall commence as of April 1, 2005 (the "**Commencement Date**") and shall continue for a term of three (3) years (the "**Initial Term**"), unless sooner terminated pursuant to Section 9 of this Agreement. Notwithstanding anything to the contrary contained herein, the provisions of this Agreement governing protection of the Company's Confidential and Proprietary Information (as defined in Section 6(a) hereof) shall continue in effect as specified in Section 6 hereof and survive the expiration or termination hereof. This Agreement may be renewed for one or more additional one year periods (each, an "**Additional Term**" and, together with the Initial Term, the "**Term**") if the Company and the Executive agree in writing on the terms on the terms of such renewal of this Agreement not less than 60 days prior to the end of the then current Term. If the Company and the Executive have not agreed on the terms of such renewal prior to such date, this Agreement shall terminate at the end of the then current term (a "**Non-Renewal Event**").

3. Best Efforts; Place of Performance.

(a) During the Term, the Executive shall devote substantially all of his business time, attention and energies to the business and affairs of the Company and shall use his best efforts to advance the best interests of the Company and shall not during the Term be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage.

(b) The duties to be performed by the Executive hereunder shall be performed primarily at the principal office of the Company in New York, New York, , subject to reasonable travel requirements on behalf of the Company, including, without limitation, significant travel to, and time to be spent in, New York, New York in connection with the initial establishment of the Company. Notwithstanding the foregoing, upon notice to the Board by the Executive, at the Executive's discretion, the Company's headquarters may be re-established in the Greater Boston Metropolitan area

4. Directorship; President and Chief Executive Officer. The Company shall use its commercially reasonable efforts to cause the Executive (i) to be elected as a member of the Board and (ii) to be appointed as the President and Chief Executive Officer of the Company throughout the Term, and shall include him in the management slate for election as a Director at every stockholders meeting during the Term at which his term as a Director would otherwise expire. The Executive agrees to accept election, and to serve during the Term, as a Director of the Company without any additional compensation therefor other than as specified in this Agreement.

5. Compensation. As full compensation for the performance by the Executive of his duties under this Agreement, the Company shall pay the Executive as follows:

(a) Base Salary. During the Term, the Company shall pay the Executive a salary (the "**Base Salary**") which shall initially be equal to $300,000 per year. The Base Salary shall be increased to $325,000 at such time as the Company completes a financing transaction that results in aggregate gross proceeds to the Company of at least $5,000,000; *provided, however*, that such increase, if any, shall be retroactive to the Commencement Date. Payment shall be made in accordance with the Company's normal payroll practices. The Base Salary will be reviewed by the Board no less frequently than annually and may be increased (but not decreased).

(b) Guaranteed Bonus. The Company will pay the Executive a cash bonus of $200,000, payable in two equal installments (the "**Guaranteed Bonus**"). The first installment of $100,000 shall be paid to the Executive on May 7, 2005 and the second installment of $100,000 shall be paid to the Executive on November 7, 2005, provided, however, that the Executive is still employed by the Company on the applicable date of payment.

(c) Discretionary Bonus. At the sole discretion of the Board, the Executive shall receive an additional annual bonus (the "**Discretionary Bonus**") in an amount equal to up to 50% of his then current Base Salary, based upon his performance on behalf of the Company during the prior year. The Discretionary Bonus shall be payable either as a lump-sum payment or installments as determined by the Board in its sole discretion. In addition, the Board shall annually review the Discretionary Bonus to determine whether an increase in the amount thereof is warranted.

(d) Withholding. The Company shall withhold all applicable federal, state and local taxes and social security and such other amounts as may be required by law from all amounts payable to the Executive under this Section 5.

(e) Equity Compensation.

(i) Initial Option. As additional compensation for the services to be rendered by the Executive pursuant to this Agreement, the Company shall grant the Executive a stock option to purchase 2,923,900 shares of the Common Stock of the Company (which represents 5% of the outstanding shares of the Common Stock of the Company (on a fully diluted basis, plus 100,000 shares) at a price per share equal to the last closing sale price of the Company's Common Stock on the Effective Date (the "**Initial Option**"). The Initial Option shall be governed by the Company's 2003 Stock Option Plan (the "**Plan**") and shall be an incentive stock option to the extent permissible under applicable law. For so long as the Executive is an employee of the Company, the Initial Option shall vest, if at all, in three equal installments, the first of which shall vest on November 1, 2005, the next on November 1, 2006, and the final third on November 1, 2007. The Initial Option shall be exercisable for 10 years from date of grant and, subject to the provisions of Section 10 hereof, the vested Initial Option shall remain exercisable for 90 days from the date that the Executive is no longer an employee of the Company. In connection with such grant, the Executive shall enter into the Company's standard stock option agreement which will incorporate the foregoing vesting schedule and the provisions contained in Section 10 hereof. The Board shall review the aggregate number of Stock Options granted to the Executive not less frequently than annually in order to determine whether an increase in the number thereof is warranted.

(f) Expenses. The Company shall reimburse the Executive for all normal, usual and necessary expenses incurred by the Executive in furtherance of the business and affairs of the Company, including reasonable travel (including travel between Boston and New York) and entertainment, upon timely receipt by the Company of appropriate vouchers or other proof of the Executive's expenditures and otherwise in accordance with any expense reimbursement policy as may from time to time be adopted by the Company.

(g) Other Benefits. The Executive shall be entitled to all rights and benefits for which he shall be eligible under any benefit or other plans (including, without limitation, dental, medical, medical reimbursement and hospital plans, pension plans, employee stock purchase plans, profit sharing plans, bonus plans and other so-called "fringe" benefits) as the Company shall make available to its senior executives from time to time (collectively, the "**Fringe Benefits**").

(h) Vacation. The Executive shall, during the Term, be entitled to vacation of four non-consecutive weeks per annum, in addition to public holidays observed by the Company. The Executive shall not be entitled to carry any vacation forward to the next year of employment.

(i) Indemnification. The Company will indemnify the Executive to the extent permitted by its charter and by-laws and by applicable law against all costs, charges and expenses, including, without limitation, attorneys' fees, incurred or sustained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of being an officer, director or employee of the Company. In connection with the foregoing, the Executive will be covered under any liability insurance policy that protects other officers of the Company.

6. Confidential Information and Inventions.

(a) The Executive recognizes and acknowledges that in the course of his duties he is likely to receive confidential or proprietary information owned by the Company, its affiliates or third parties with whom the Company or any such affiliates has an obligation of confidentiality. Accordingly, during and after the Term, the Executive agrees to keep confidential and not disclose or make accessible to any other person or use for any other purpose other than in connection with the fulfillment of his duties under this Agreement, any Confidential and Proprietary Information (as defined below) owned by, or received by or on behalf of, the Company or any of its affiliates. "**Confidential and Proprietary Information**" shall include, but shall not be limited to, confidential or proprietary scientific or technical information, data, formulas and related concepts, business plans (both current and under development), client lists, promotion and marketing programs, trade secrets, or any other confidential or proprietary business information relating to development programs, costs, revenues, marketing, investments, sales activities, promotions, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Company or of any affiliate or client of the Company. The Executive expressly acknowledges the trade secret status of the Confidential and Proprietary Information and that the Confidential and Proprietary Information constitutes a protectable business interest of the Company. The Executive agrees (i) not to use any such Confidential and Proprietary Information for himself or others and (ii) not to take any Company material or reproductions (including but not limited to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) thereof from the Company's offices at any time during his employment by the Company, except as required in the execution of the Executive's duties to the Company. The Executive agrees to return immediately all Company material and reproductions (including but not limited, to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) thereof in his possession to the Company upon request and in any event immediately upon termination of employment.

(b) Except with prior written authorization by the Company, the Executive agrees not to disclose or publish any of the Confidential and Proprietary Information, or any confidential, scientific, technical or business information of any other party to whom the Company or any of its affiliates owes an obligation of confidence, at any time during or after his employment with the Company.

(c) The Executive agrees that all inventions, discoveries, improvements and patentable or copyrightable works ("**Inventions**") initiated, conceived or made by him, either alone or in conjunction with others, during the Term shall be the sole property of the Company to the maximum extent permitted by applicable law and, to the extent permitted by law, shall be "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C.A., Section 101). The Company shall be the sole owner of all patents, copyrights, trade secret rights, and other intellectual property or other rights in connection therewith. The Executive hereby assigns to the Company all right, title and interest he may have or acquire in all such Inventions; provided, however, that the Board may in its sole discretion agree to waive the Company's rights pursuant to this Section 6(c) with respect to any Invention that is not directly or indirectly related to the Company's business. The Executive further agrees to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights or other rights on such Inventions in any and all countries, and to that end the Executive will execute all documents necessary:

(i) To apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

(ii) To defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection.

(d) The Executive acknowledges that while performing the services under this Agreement the Executive may locate, identify and/or evaluate patented or patentable inventions having commercial potential in the fields of pharmacy, pharmaceutical, biotechnology, healthcare, technology and other fields which may be of potential interest to the Company or one of its affiliates (the "**Third Party Inventions**"). The Executive understands, acknowledges and agrees that all rights to, interests in or opportunities regarding, all Third-Party Inventions identified by the Company, any of its affiliates or either of the foregoing persons' officers, directors, employees (including the Executive), agents or consultants during the Employment Term shall be and remain the sole and exclusive property of the Company or such affiliate and the Executive shall have no rights whatsoever to such Third-Party Inventions and will not pursue for himself or for others any transaction relating to the Third-Party Inventions which is not on behalf of the Company.

(e) Executive agrees that he will promptly disclose to the Company, or any persons designated by the Company, all improvements, Inventions made or conceived or reduced to practice or learned by him, either alone or jointly with others, during the Term.

(f) The provisions of this Section 6 shall survive any termination of this Agreement.

7. Non-Competition, Non-Solicitation and Non-Disparagement.

(a) The Executive understands and recognizes that his services to the Company are special and unique and that in the course of performing such services the Executive will have access to and knowledge of Confidential and Proprietary Information (as defined in Section 6) and the Executive agrees that, during the Term and for a period of 12 months thereafter, he shall not in any manner, directly or indirectly, on behalf of himself or any person, firm, partnership, joint venture, corporation or other business entity ("**Person**"), enter into or engage in any business which is engaged in any business directly or indirectly competitive with the Company in the Business (as defined below) (each, a "**Restricted Activity**") within the geographic area of the Company's business, which is deemed by the parties hereto to be worldwide. The Executive acknowledges that, due to the unique nature of the Business, the loss of any of its clients or business flow or the improper use of its Confidential and Proprietary Information could create significant instability and cause substantial damage to the Company and its affiliates and therefore the Company has a strong legitimate business interest in protecting the continuity of its business interests and the restriction herein agreed to by the Executive narrowly and fairly serves such an important and critical business interest of the Company. For purposes of this Agreement, the "**Business**" means the development and commercialization of drugs and other biomedical technologies in which the Company is actively engaged (1) for the treatment, detection or prevention of dermatologic diseases, disorders, and conditions and (2) the treatment, detection or prevention of any other diseases, disorders, and conditions. Notwithstanding the foregoing, nothing contained in this Section 7(a) shall be deemed to prohibit the Executive from (i) engaging in a Restricted Activity for or with respect to any subsidiary, division or affiliate or unit (each, a "**Unit**") of a Person if that Unit is not engaged in any business which is competitive with the Business of the Company, irrespective of whether some other Unit of such Person engages in such competition (as long as the Executive does not engage in a Restricted Activity for such other Unit), or (ii) acquiring or holding, solely for investment, publicly traded securities of any corporation, some or all of the activities of which are competitive with the business of the Company so long as such securities do not, in the aggregate, constitute more than 4% of any class or series of outstanding securities of such corporation.

(b) During the Term and for a period of 12 months thereafter, the Executive shall not, directly or indirectly, without the prior written consent of the Company:

(i) Solicit or induce any employee of the Company or any of its affiliates to leave the employ of the Company or any such affiliate; or hire for any purpose any employee of the Company or any affiliate or any employee who has left the employment of the Company or any affiliate within one year of the termination of such employee's employment with the Company or any such affiliate or at any time in violation of such employee's non-competition agreement with the Company or any such affiliate;

(ii) Solicit or accept employment or be retained by any Person who, at any time during the term of this Agreement, was an agent, client or customer of the Company or any of its affiliates where his position will be related to the business of the Company or any such affiliate; or

(iii) Solicit or accept the business of any agent, client or customer of the Company or any of its affiliates with respect to products, services or investments similar to those provided or supplied by the Company or any of its affiliates.

(c) The Company and the Executive each agree that both prior to and during the Term and at all times thereafter, neither party shall willfully or intentionally, directly or indirectly disparage, whether or not true, the name or reputation of the other party or any of its affiliates, including but not limited to, any officer, director, employee or shareholder of the Company or any of its affiliates.

(d) The Executive hereby acknowledges that any breach or threatened breach of any of the terms of Section 6 or 7 of hereof will result in substantial, continuing and irreparable injury to the Company. Therefore, in addition to any other remedy that may be available to the Company, the Company will be entitled to injunctive or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of Section 6 or 7 hereof. The Company and the Executive agree that any such action for injunctive or equitable relief shall be heard in a state or federal court located in The Commonwealth of Massachusetts and each of the parties hereto agrees to accept service of process by registered or certified mail and to otherwise consent to the jurisdiction of such courts.

(e) The rights and remedies of the Company enumerated in Section 7(d) shall be in addition to and not in lieu of any other rights and remedies available to the Company at law or in equity. If any of the covenants contained in this Section 7, or any part of any of them, is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants or rights or remedies which shall be given full effect without regard to the invalid portions. If any of the covenants contained in this Section 7 is held to be invalid or unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and in its reduced form such provision shall then be enforceable. No such holding of invalidity or unenforceability in one jurisdiction shall bar or in any way affect the Company's right to the relief provided in this Section 7 or otherwise in the courts of any other state or jurisdiction within the geographical scope of such covenants as to breaches of such covenants in such other respective states or jurisdictions, such covenants being, for this purpose, severable into diverse and independent covenants.

(f) In the event that an actual proceeding is brought in equity to enforce the provisions of Section 6 or this Section 7, the Executive shall not urge as a defense that there is an adequate remedy at law nor shall the Company be prevented from seeking any other remedies which may be available.

(g) The provisions of this Section 7 shall survive any termination of this Agreement.

8. Representations and Warranties.

(a) The Executive hereby represents and warrants to the Company as follows:

(i) Neither the execution or delivery of this Agreement nor the performance by the Executive of his duties and other obligations hereunder violate or will violate any statute, law, determination or award, or conflict with or constitute a default or breach of any covenant or obligation under (whether immediately, upon the giving of notice or lapse of time or both) any prior employment agreement, contract, or other instrument to which the Executive is a party or by which he is bound; and

(ii) The Executive has the full right, power and legal capacity to enter and deliver this Agreement and to perform his duties and other obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of the Executive enforceable against him in accordance with its terms. No approvals or consents of any persons or entities are required for the Executive to execute and deliver this Agreement or perform his duties and other obligations hereunder.

(b) The Company hereby represents and warrants to the Executive that this Agreement, the employment of the Executive hereunder and the grant of the Options have been duly authorized by and on behalf of the Company, including, without limitation, by all required action by the Board.

9. Termination. The Executive's employment hereunder shall be terminated upon the Executive's death and may also be terminated as follows:

(a) The Executive's employment hereunder may be terminated by written notice to the Executive from the Board for Cause, effective the date of delivery of such notice. Any of the following actions by the Executive shall constitute "**Cause**":

(i) The willful and repeated failure, disregard or refusal by the Executive to perform his duties hereunder;

(ii) Any willful, intentional or grossly negligent act by the Executive having the effect of injuring, in a material way (whether financial or otherwise and as determined in good-faith by a majority of the Board), the business or reputation of the Company or any of its affiliates, including but not limited to, any officer, director, executive or shareholder of the Company or any of its affiliates;

(iii) Willful misconduct by the Executive in respect of the duties or obligations of the Executive under this Agreement, including, without limitation, insubordination with respect to directions received by the Executive from the Board;

(iv) The Executive's conviction of any felony or a misdemeanor involving moral turpitude (including entry of a nolo contendere plea);

(v) The determination by the Board based upon clear and convincing evidence, after a reasonable and good-faith investigation by the Company following a written allegation by another employee of the Company, that the Executive engaged in material harassment prohibited by law (including, without limitation, age, sex or race discrimination);

(vi) Any misappropriation or embezzlement of the property of the Company or its affiliates (whether or not a misdemeanor or felony);

(vii) A breach by the Executive of any of the provisions of Sections 6 or 7 hereof; or

(viii) A material breach by the Executive of any material provision of this Agreement, other than those contained in Sections 6 or 7 hereof, which is not cured by the Executive within 30 days after written notice thereof is given to the Executive by the Company.

Any determination of Cause under this Section 9(a) will be made by two thirds of the Board voting on such determination. With respect to any such determination, the Board will act fairly and in utmost good faith and will give the Executive and his counsel an opportunity to appear and be heard at a meeting of the Board or and present evidence on the Executive's behalf.

(b) The Executive's employment hereunder may be terminated by the Board as a result of the Executive's Disability. For purposes of this Agreement, a termination for "**Disability**" shall occur (i) when the Board has provided a written termination notice to the Executive supported by a written statement from a reputable independent physician to the effect that the Executive shall have become so physically or mentally incapacitated as to be unable to resume, within the ensuing 6 months, his employment hereunder by reason of physical or mental illness or injury, or (ii) upon delivery of a written termination notice to the Executive by the Board after the Executive has been unable to substantially perform his duties hereunder for 60 or more consecutive days, or more than 90 days in any consecutive 12 month period, by reason of any physical or mental illness or injury. For purposes of this Section 9(b), the Executive agrees to make himself available and to cooperate in any reasonable examination by a reputable independent physician selected by the Company and reasonably satisfactory to the Executive.

(c) The Executive's employment hereunder may be terminated by the Board (or the Board of Directors of a successor to the Company) by written notice to the Executive upon the occurrence of a Change of Control. For purposes of this Agreement, "**Change of Control**" means (i) the acquisition, directly or indirectly, following the date hereof by any person (as such term is defined in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), in one transaction or a series of related transactions, of securities of the Company representing in excess of fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities if such person or his or its affiliate(s) do not own in excess of 50% of such voting power on the date of this Agreement, or (ii) the sale or transfer by the Company (whether direct or indirect, by sale of assets or stock, merger, consolidation or otherwise) of all or substantially all of its business and/or assets in one transaction or series of related transactions (other than a merger effected exclusively for the purpose of changing the domicile of the Company).

(d) The Executive's employment hereunder may be terminated by the Executive by written notice to the Company for Good Reason, effective the date of delivery of such notice. For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following:

(i) A material breach by the Company of Section 5, Section 7(c) or Section 8(b) of this Agreement which is not cured by the Company within 30 days after written notice thereof is given to the Company by the Executive;

(ii) Failure during the Term to nominate the Executive for election to the Board and to recommend to shareholders to vote in support of such nomination or failure of the Board to appoint the Executive as President and Chief Executive Officer of the Company, or removal during the Term from the Board or as President and Chief Executive Officer of the Company, provided that such failure or removal is not (1) in connection with a termination of the Executive's employment hereunder by the Company, or (2) as a result of the failure of the stockholders of the Company to elect the Executive to the Board despite the Company's compliance with its obligations under Section 4 hereof;

(iii) A material adverse change by the Company in the Executive's duties, authority or responsibilities as President and Chief Executive Officer of the Company which causes his position with the Company to become of less responsibility or authority than his position as of immediately following the Effective Date, provided that such change is not in connection with a termination of the Executive's employment hereunder by the Company;

(iv) A change in the lines of reporting such that the Executive no longer reports to the Board;

(v) A reduction in the Executive's compensation or other benefits except such a reduction in connection with a general reduction in compensation or other benefits of all senior executives of the Company; or

(vi) A change in the principal location at which the Executive provides the Services to the Company to a location more than 50 miles from the Company's headquarters (whether they be in New York or Boston, as the case may be) without the prior consent of the Executive.

(e) The Executive's employment may be terminated by the Company for any reason or no reason by delivery of written notice to the Executive effective thirty (30) days after the date of delivery of such notice.

(f) The Executive's employment may be terminated by the Executive in the absence of a Good Reason by delivery of written notice to the Company effective thirty (30) days after the date of delivery of such notice.

10. Compensation Following Termination.

(a) Notwithstanding any other provision of this Agreement, if, prior to the Commencement Date, this Agreement is terminated by the Company for any reason other than as a result of the Executive's death or Disability or Cause, or terminated by the Executive for Good Reason, the Company will pay to the Executive his Base Salary and, to the extent reasonably possible, provide him with the Fringe Benefits, for a period of 12 months following the date of such termination of this Agreement, provided, however, the Executive, during the period between the Effective Date and the Commencement Date, (i) does not solicit or accept offers from third parties and refrains from any discussions or negotiations with third parties (whether directly or through attorneys, agents, investment bankers or otherwise) with respect to retaining employment with a party other than the Company or commencing a business venture either alone or with a third party other than the Company, whether as an employee, partner, shareholder, member, or in such other capacity, or (ii) is not retained by any party other than his current employer as of the Effective Date. The Company's obligation under the preceding sentence shall be subject to offset by any amounts otherwise received by the Executive from any employment during the 12 month period following such termination of this Agreement. In the event of termination of this Agreement pursuant to this Section 10(a) prior to the Commencement Date, the provisions of Sections 7(a) and 7(b) hereof shall not apply.

(b) If the Executive's employment is terminated during the Term as a result of his death or Disability, the Company shall promptly pay to the Executive or to the Executive's estate, as applicable, his Base Salary, any previously unpaid portion of the Guaranteed Bonus, any accrued but unpaid Discretionary Bonus, the value of his accrued unused vacation days and expense reimbursement amounts through the date of death or Disability. All the Executive's stock options, including, without limitation, the Initial Options, that are scheduled to vest by the end of the calendar year in which such termination occurs shall be accelerated and vested as of the termination date. All stock options that have not vested (or been vested pursuant to the immediately preceding sentence to have vested) as of the date of termination shall be deemed to have expired as of such date.

(c) If the Executive's employment is terminated during the Term (i) by the Board for Cause or (ii) by the Executive in the absence of a Good Reason, the Company shall promptly pay to the Executive his Base Salary, the value of his accrued unused vacation days and expense reimbursement amounts through the date of termination (collectively, the "**Accrued Compensation**") and the Executive shall have no further entitlement to any other compensation or benefits from the Company. All the Executive's stock options, including, without limitation, the Options, that have not vested as of the date of termination shall be deemed to have expired as of such date. Any stock options that have vested as of the date of termination shall remain exercisable for a period of 90 days following the date of such termination.

(d) If the Executive's employment is terminated as the result of a Non-Renewal Event (as defined in Section 2 hereof), then the Company shall (i) pay the Executive the Accrued Compensation and (ii) continue to pay to the Executive his Base Salary and provide him with the Fringe Benefits for a period of four months following the date of such termination. Any stock options that have vested as of the date of the Executive's termination shall remain exercisable for a period of 90 days following the date of such termination.

(e) If the Executive's employment is terminated during the Term by the Company (or its successor) upon the occurrence of a Change of Control and on the date of termination pursuant to this Section 10(e) the Fair Market Value (as defined herein) of the Company's outstanding Common Stock, in the aggregate, is less than $40,000,000, then the Company (or its successor, as applicable) shall (i) pay the Executive the Accrued Compensation and (ii) continue to pay to the Executive his Base Salary and provide him with the Fringe Benefits for a period of six months following the date of such termination. All stock options that are scheduled to vest by the end of the calendar year in which such termination occurs shall be accelerated and deemed to have vested as of the termination date. Any stock options that have vested (or been deemed pursuant to the immediately preceding sentence to have vested) as of the date of the Executive's termination shall remain exercisable for a period of 90 days following the date of such termination. All stock options that have not vested (or been deemed pursuant to the immediately preceding sentence to have vested) as of the date of termination shall be deemed to have expired as of such date. "Fair Market Value" shall mean the average closing sale price of the Common Stock for the ten (10) business days preceding the Change of Control, as quoted on a national securities exchange, the Nasdaq Stock Market or the Over-the-Counter Bulletin Board, as applicable, or if the Common Stock is not then traded or quoted on any such stock exchange or stock market, then such price as determined in good faith by the Board on the date of such Change of Control.

(f) If the Executive's employment is terminated during the Term either (1) by the Company other than as a result of the Executive's death or Disability and other than for one of the reasons specified in Sections 10(c), 10(d) or 10(e), or (2) by the Executive for a Good Reason, then the Company shall (i) pay the Executive the Accrued Compensation and (ii) continue to pay to the Executive his Base Salary and provide him with the Fringe Benefits for a period of 12 months following the date of such termination. The Company's obligation under clause (ii) in the preceding sentence shall be subject to offset by any amounts otherwise received by the Executive from any employment during the 12 month period following the termination of his employment. All stock options shall be accelerated and deemed to have vested as of the termination date. Any stock options that have vested (or been deemed pursuant to the immediately preceding sentence to have vested) as of the date of the Executive's termination shall remain exercisable for a period of 90 days following the date of such termination.

(g) This Section 10 sets forth the only obligations of the Company with respect to the termination of the Executive's employment with the Company, and the Executive acknowledges that, upon the termination of his employment, he shall not be entitled to any payments or benefits which are not explicitly provided in this Section 10.

(h) Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned as a Director and officer of the Company, effective as of the date of such termination.

(i) The provisions of this Section 10 shall survive any termination of this Agreement.

11. <u>Miscellaneous</u>.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of The Commonwealth of Massachusetts, without giving effect to its principles of conflicts of laws.

(b) Any dispute arising out of, or relating to, this Agreement or the breach thereof (other than Sections 6 or 7 hereof), or regarding the interpretation thereof, shall be finally settled by arbitration conducted in Boston, Massachusetts in accordance with the commercial arbitration rules of the American Arbitration Association then in effect before a single arbitrator appointed in accordance with such rules. Judgment upon any award rendered therein may be entered and enforcement obtained thereon in any court having jurisdiction. The arbitrator shall have authority to grant any form of appropriate relief, whether legal or equitable in nature, including specific performance. For the purpose of any judicial proceeding to enforce such award or incidental to such arbitration or to compel arbitration and for purposes of Sections 6 and 7 hereof, the parties hereby submit to the exclusive jurisdiction of the courts of The Commonwealth of Massachusetts or the United States District Court for the District of Massachusetts and agree that service of process in such arbitration or court proceedings shall be satisfactorily made upon it if sent by registered mail addressed to it at the address referred to in paragraph (g) below. The costs of such arbitration shall be borne proportionate to the finding of fault as determined by the arbitrator. Judgment on the arbitration award may be entered by any court of competent jurisdiction.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and permitted assigns.

(d) This Agreement, and the Executive’s rights and obligations hereunder, may not be assigned by the Executive. The Company may assign its rights, together with its obligations, hereunder in connection with any sale, transfer or other disposition of all or substantially all of its business or assets.

(e) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the parties hereto.

(f) The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and such terms, conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(g) All notices, requests, consents and other communications, required or permitted to be given hereunder, shall be in writing and shall be delivered personally or by an overnight courier service or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at the addresses set forth on the first page of this Agreement, and shall be deemed given when so delivered personally or by overnight courier, or, if mailed, five days after the date of deposit in the United States mail. Either party may designate another address, for receipt of notices hereunder by giving notice to the other party in accordance with this paragraph (g).

(h) This Agreement, together with the stock option agreements evidencing the Options, sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(i) As used in this Agreement, “affiliate” of a specified Person shall mean and include any Person controlling, controlled by or under common control with the specified Person.

(j) The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(k) This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as an instrument under seal as of the date first above written.

MANHATTAN PHARMACEUTICALS, INC.

By: /s/ Nicholas J. Rossettos
Name: Nicholas J. Rossettos
Title: Chief Financial Officer

EXECUTIVE

/s/ Douglas Abel
Douglas Abel