ENDOREX CORP
Form 424B3
October 25, 2001

[LOGO]

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October 26, 2001

Dear Endorex Corporation Stockholders:

We are writing to you today about the proposed merger of Corporate Technology Development, Inc., or CTD, and Roadrunner Acquisition, Inc., or Roadrunner, a wholly owned subsidiary of Endorex Corporation, or Endorex.

Endorex, CTD and Roadrunner entered into an agreement and plan of merger and reorganization on July 31, 2001, that provides for the proposed merger. Pursuant to the proposed merger, CTD will become a wholly owned subsidiary of Endorex, and (a) each share of CTD common stock will be exchanged for 0.271443 of a share of Endorex common stock, par value $0.001 per share and (b) each share of CTD Series A preferred stock will be exchanged for 1.008466 shares of Endorex common stock. Endorex common stock is traded on the American Stock Exchange under the symbol "DOR." In connection with the merger, Endorex expects to issue approximately 9.4 million shares of its common stock and options and warrants exercisable for approximately 0.6 million shares of its common stock in substitution for CTD options and warrants. The merger is described more fully in the accompanying joint proxy statement/prospectus.

At the annual meeting of Endorex stockholders to be held on November 29, 2001 at 10:00 a.m., central standard time, at 28101 Ballard Drive, Suite F, Lake Forest, Illinois, you will be asked to vote upon the issuance of shares of Endorex common stock, options and warrants pursuant to the merger agreement. For the merger to go forward, the holders of a majority of the shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis, entitled to vote and that are present or represented by proxy at the Endorex annual meeting must approve the issuance of the shares of Endorex common stock, options and warrants. Only stockholders at the close of business on October 23, 2001 will be entitled to vote at the annual meeting.

At the annual meeting, you will also be asked to consider and vote upon some additional proposals which are described in the attached Notice of Annual Meeting of Stockholders.

AFTER CAREFUL CONSIDERATION, ENDOREX'S BOARD OF DIRECTORS HAS DETERMINED THAT THE MERGER AND THE ISSUANCE OF ENDOREX COMMON STOCK, OPTIONS AND WARRANTS IN CONNECTION WITH THE PROPOSED MERGER ARE FAIR TO AND IN THE BEST INTERESTS OF ENDOREX AND ITS STOCKHOLDERS, AND RECOMMENDS THAT YOU APPROVE SUCH ISSUANCE OF THE SHARES OF ENDOREX COMMON STOCK, OPTIONS AND WARRANTS IN CONNECTION WITH THE MERGER.

The accompanying joint proxy statement/prospectus provides detailed information about Endorex, CTD and the merger. Please give all of this information your careful attention. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE DISCUSSION IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 16 OF THE JOINT PROXY STATEMENT/PROSPECTUS.

We invite you to attend the meeting. Whether or not you plan to attend, please complete, sign and date the enclosed proxy card and return it to Endorex in the enclosed envelope. If you attend the meeting, you may vote in person if

you wish, even if you have previously returned your proxy card. It is important that your shares be represented and voted at the meeting. To approve the issuance of shares of Endorex common stock, options and warrants pursuant to the merger agreement, you MUST vote "FOR" that proposal by following the instructions stated on the enclosed proxy card. We urge you to vote "FOR" this proposal, a necessary step in consummating the proposed merger. In addition, to approve the other proposals submitted for your approval, you must vote "FOR" those proposals by following the instructions stated on the enclosed proxy card, and we encourage you to do so.

Sincerely,
[SIG]

Kenneth Tempero
Chairman of the Board of Directors
[SIG]

Michael S. Rosen
President, Chief Executive Officer and Director

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION OR THE SECURITIES OF ENDOREX TO BE ISSUED IN THE MERGER OR DETERMINED IF THIS JOINT PROXY STATEMENT/PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS JOINT PROXY STATEMENT/PROSPECTUS IS DATED OCTOBER 23, 2001, AND WAS FIRST MAILED TO ENDOREX STOCKHOLDERS ON OR ABOUT OCTOBER 26, 2001.

[LOGO]

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 29, 2001

To Our Stockholders:

Endorex Corporation, or Endorex, will hold its annual meeting of stockholders on November 29, 2001, at 10:00 a.m., central standard time, at 28101 Ballard Drive, Suite F, Lake Forest, Illinois to consider and vote on the following proposals:

1. to issue shares of Endorex common stock, options and warrants pursuant to the Agreement and Plan of Merger and Reorganization, or the merger agreement, dated as of July 31, 2001 by and among Endorex, Corporate Technology Development, Inc., or CTD, and Roadrunner Acquisition, Inc., a wholly owned subsidiary of Endorex, under which CTD will become a wholly owned subsidiary of Endorex;

2. to amend Endorex's Amended and Restated Certificate of Incorporation changing Endorex's name to DOR BioPharma, Inc.;

3. to elect six directors to serve until the next annual meeting of the stockholders of Endorex or until their successors are duly elected and qualified;

4. to approve an amendment of Endorex's Amended and Restated 1995 Omnibus Incentive Plan, or the 1995 plan, to (i) increase the number of shares of Endorex common stock reserved for issuance by an additional 2,165,664 shares, (ii) implement a maximum annual limit of 500,000 shares of common stock by which the share reserve may increase annually over the term of the 1995 Plan under the automatic share increase provision and

(iii) modify the automatic option grant program to (a) increase the initial option grants to newly-elected board members to 50,000 shares vesting immediately and (b) provide for annual option grants to continuing board members for 10,000 shares vesting over one year;

5. to approve February 21, 2001 option grants to each non-employee member of the Endorex board of directors to purchase 50,000 shares of Endorex common stock;

6. to ratify the appointment of Ernst & Young LLP as Endorex's independent auditors for the fiscal year ending December 31, 2001; and

7. to transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

Endorex's board of directors has determined that the proposed merger and the issuance of shares of Endorex common stock, options and warrants are fair to and in the best interests of Endorex and Endorex's stockholders, and recommends that you vote to approve such issuance of Endorex common stock, options and warrants in connection with the proposed merger. Endorex's board of directors has also determined that the other proposals are in the best interests of Endorex and Endorex's stockholders and recommends that you vote in favor of such proposals.

For more information about the merger, the merger agreement and related matters, please review carefully the accompanying joint proxy statement/prospectus.

Only Endorex stockholders of record at the close of business on October 23, 2001 are entitled to notice of and to vote at the annual meeting or any adjournment or postponement thereof.

Your vote is important. To assure that your shares are represented at the annual meeting, you are urged to complete, date and sign the enclosed proxy card and mail it promptly in the postage-paid envelope provided, whether or not you plan to attend the annual meeting in person. You may revoke your proxy in the manner described in the accompanying joint proxy statement/prospectus at any time before it has been voted at the annual meeting. You may vote in person at the annual meeting even if you have returned a proxy card.

By Order of the Board of Directors
[SIG]

Kenneth Tempero
Chairman of the Board of Directors
[SIG]

Michael S. Rosen
President, Chief Executive Officer and Director

Lake Forest, Illinois
October 26, 2001

CORPORATE TECHNOLOGY DEVELOPMENT, INC.

October 26, 2001

Dear Corporate Technology Development, Inc. Stockholders:

We are writing to you today about our proposed merger of Roadrunner Acquisition, Inc., or Roadrunner, a wholly owned subsidiary of Endorex Corporation, or Endorex, with and into Corporate Technology Development, Inc.,

or CTD. As a result of the proposed merger, CTD will become a wholly owned subsidiary of Endorex.

Pursuant to the proposed merger, (a) each share of CTD common stock that you own will be exchanged for 0.271443 of a share of Endorex common stock and (b) each share of CTD Series A preferred stock that you own will be exchanged for 1.008466 shares of Endorex common stock. In connection with the proposed merger, Endorex expects to issue approximately 9.4 million shares of its common stock and options and warrants exercisable for approximately 0.6 million shares of Endorex common stock in substitution for CTD options and warrants. Endorex common stock is traded on the American Stock Exchange under the trading symbol "DOR," and closed at $.90 per share on October 15, 2001. The merger is described more fully in the accompanying joint proxy statement/ prospectus.

You will be asked to vote upon the merger at a special meeting of CTD stockholders to be held on November 29, 2001 at 10:00 a.m., local time, at CTD's offices at 1680 Michigan Avenue, Suite 700, Miami, Florida 33139. For the merger to go forward, the holders of a majority of the outstanding shares of CTD common stock and the holders of a majority of the outstanding shares of CTD Series A preferred stock, voting together on an as converted basis, must approve the merger and the merger agreement. Only stockholders who hold shares of CTD stock at the close of business on November 19, 2001 will be entitled to vote at the special meeting.

CTD'S BOARD OF DIRECTORS HAS DETERMINED THAT THE TERMS AND CONDITIONS OF THE MERGER ARE IN THE BEST INTERESTS OF CTD AND ITS STOCKHOLDERS, AND RECOMMENDS THAT YOU APPROVE MERGER AND THE MERGER AGREEMENT.

The accompanying joint proxy statement/prospectus provides detailed information about Endorex, CTD and the merger. Please give all of this information your careful attention. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE DISCUSSION IN THE SECTION ENTITLED "RISK FACTORS" ON PAGE 16 OF THE JOINT PROXY STATEMENT/PROSPECTUS.

We invite you to attend the meeting. Whether or not you plan to attend, please complete, sign and date the enclosed proxy card and return it to CTD in the enclosed envelope. If you attend the meeting, you may vote in person if you wish, even if you have previously returned your proxy card. It is important that your shares be represented and voted at the meeting. To approve the merger and merger agreement, you MUST vote "FOR" that proposal. We urge you to vote "FOR" this proposal, a necessary step in consummating the proposed merger.

Sincerely,

[LOGO]

Colin Bier
Chairman of the Board of Directors

[SIG]

Steve H. Kanzer
President and Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION OR THE SECURITIES OF ENDOREX TO BE ISSUED IN THE MERGER OR DETERMINED IF THIS JOINT PROXY STATEMENT/PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS JOINT PROXY STATEMENT/PROSPECTUS IS DATED OCTOBER 23, 2001, AND WAS FIRST MAILED TO CTD STOCKHOLDERS ON OR ABOUT OCTOBER 26, 2001.

1680 Michigan Avenue, Suite 700, Miami, Florida 33139 Ph: 305-777-2258 Fax: 305-777-2249

www.corpdevelop.com

CORPORATE TECHNOLOGY DEVELOPMENT, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 29, 2001

To Our Stockholders:

Corporate Technology Development, Inc., or CTD, will hold a special meeting of stockholders at 10:00 a.m., local time, on November 29, 2001 at CTD's offices at 1680 Michigan Avenue, Suite 700, Miami, Florida 33139 to consider the following proposals:

1. to approve the merger and the Agreement and Plan of Merger and Reorganization dated as of July 31, 2001 by and among Endorex Corporation, CTD and Roadrunner Acquisition, Inc., a wholly owned subsidiary of Endorex; and

2. to transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

CTD's board of directors has determined that the merger is in the best interests of CTD and its stockholders, and recommends that you vote to approve the merger and the merger agreement.

The merger is described more fully in the accompanying joint proxy statement/prospectus, which we urge you to read carefully.

Only CTD stockholders of record at the close of business on November 19, 2001 are entitled to notice of and to vote at the special meeting or any adjournment or postponement thereof.

Your vote is important. To assure that your shares are represented at the special meeting, we urge you to complete, date and sign the enclosed proxy card and mail it promptly in the postage-paid envelope provided, whether or not you plan to attend the special meeting in person. You may revoke your proxy in the manner described in the accompanying joint proxy statement/prospectus at any time before it has been voted at the special meeting. You may vote in person at the special meeting even if you have returned a proxy card.

By Order of the Board of Directors

[LOGO]

Colin Bier
Chairman of the Board of Directors

[SIG]

Steve H. Kanzer
President and Chief Executive Officer

Miami, Florida
October 26, 2001

1680 Michigan Avenue, Suite 700, Miami, Florida 33139 Ph: 305-777-2258 Fax: 305-777-2249

www.corpdevelop.com

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QUESTIONS AND ANSWERS ABOUT THE MERGER

INTRODUCTORY QUESTIONS

Q: WHY ARE ENDOREX AND CTD PROPOSING A MERGER?

A: Endorex and CTD are proposing a merger for the reasons described in this joint proxy statement/prospectus, including their belief:

- that the merged companies may provide enhanced opportunities for new drug product discoveries, and commercial alliances;
- that the merger would likely benefit Endorex and CTD in their negotiations with potential collaborators, corporate partners, licensors and licensees;
- that CTD's and Endorex's operations and strategic focus complement each other, in that they both focus on pre-approved drug compounds;
- that the merger would result in operational and administrative cost savings; and
- that CTD's and Endorex's management may be compatible.

Q: HOW IS ENDOREX PROPOSING TO ACQUIRE CTD?

A: Endorex proposes to acquire CTD by merging Roadrunner, a recently formed, wholly owned subsidiary of Endorex, with and into CTD. CTD will survive the merger as a wholly owned subsidiary of Endorex. Pursuant to the merger, all outstanding shares of capital stock of CTD (other than those shares as to which appraisal rights have been properly exercised) will be exchanged as follows: (a) each share of CTD common stock will be exchanged for 0.271443 of a share of Endorex common stock and (b) each share of CTD Series A preferred stock will be exchanged for 1.008466 shares of Endorex common stock. Pursuant to the terms of the merger agreement, Endorex expects to issue approximately 9.4 million shares of its common stock and options and warrants exercisable for approximately 0.6 million shares of its common stock in substitution for CTD options and warrants.

Q: ARE THERE RISKS CTD AND ENDOREX STOCKHOLDERS SHOULD CONSIDER IN DETERMINING WHETHER TO VOTE FOR PROPOSALS IN CONNECTION WITH THE MERGER?

A: Yes. We have set out in the section entitled "Risk Factors" beginning on page 16 a number of risk factors that you should consider carefully in connection with the merger and the related exchange of CTD capital stock for Endorex common stock.

QUESTIONS FOR ENDOREX STOCKHOLDERS

Q: WHAT IS CTD?

A: CTD is a holding company that does business and carries out its operations primarily through its subsidiaries, four of which are majority owned and one of which is wholly owned by CTD. Discussions or statements contained in this joint proxy statement/prospectus that refer to the business of CTD refer to the combined business of CTD and its subsidiaries.

CTD is a development stage pharmaceutical company focused on developing new oral or mucosal formulations of approved chemical entities, or ACEs, (drugs that have been previously approved by the Food and Drug Administration, or FDA) and products based upon ACEs that treat new indications. CTD currently has one drug in the phase III clinical trials and one drug in phase I

clinical trials.

Q: WHY DOES THE ENDOREX BOARD OF DIRECTORS RECOMMEND THAT ENDOREX'S STOCKHOLDERS VOTE "FOR" THE ISSUANCE OF SHARES OF ENDOREX COMMON STOCK PURSUANT TO THE MERGER AGREEMENT?

A: Based on its consultations with Endorex's management, as well as Endorex's legal and financial advisors, and its careful consideration of the terms of the merger agreement and the transactions contemplated by the merger agreement, and for the reasons described in this joint proxy statement/prospectus, Endorex's board of directors believes that the terms of the merger are fair to and in the best interests of Endorex and its stockholders.

Q: WHY DOES ENDOREX NEED THE APPROVAL OF ITS STOCKHOLDERS?

A: Pursuant to the rules of the American Stock Exchange, or AMEX, Endorex is required to obtain stockholder approval for issuances of its common stock in connection with the acquisition of CTD because (a) certain affiliates of Endorex (such as directors, officers or principal stockholders) are also affiliates of CTD and (b) the Endorex common stock to be issued in connection with the merger exceeds 20% of Endorex's outstanding common stock.

Q: WHAT ELSE WILL I BE VOTING ON AT THE ANNUAL MEETING?

A: In addition to voting on the proposed issuance of shares of Endorex common stock, options and warrants pursuant to the merger agreement, Endorex's stockholders will also be asked to vote on:

- the amendment of Endorex's Amended and Restated Certificate of Incorporation to change Endorex's name to DOR BioPharma, Inc.;

- the election of six directors to serve until the next annual meeting of the stockholders of Endorex or until their successors are duly elected and qualified;

- the amendment of Endorex's Amended and Restated 1995 Omnibus Incentive Plan to (i) increase the number of shares of Endorex common stock reserved for issuance by an additional 2,165,664 shares, (ii) implement a maximum annual limit of 500,000 shares of common stock by which the share reserve may increase annually over the term of the 1995 Plan under the automatic share increase provision and (iii) modify the automatic option grant program to (a) increase the initial option grants to newly-elected board members to 50,000 shares vesting immediately and (b) provide for annual option grants to continuing board members to 10,000 shares vesting over one year;

- the February 21, 2001 option grants to each non-employee member of the Endorex board of directors to purchase 50,000 shares of Endorex common stock;

- the ratification of the appointment of Ernst & Young LLP as Endorex's independent auditors for the fiscal year ending December 31, 2001; and

- such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

Q: HOW MANY VOTES DO I HAVE?

A: You are entitled to one vote for each share of Endorex common stock and

approximately 13.55 votes for each share of Endorex Series B preferred stock (representing the number of shares of common stock into which each share of Series B preferred is convertible) that you owned at the close of business on October 23, 2001, the Endorex record date.

Q: SHOULD ENDOREX STOCKHOLDERS SEND IN THEIR STOCK CERTIFICATES?

A: No. Endorex stockholders will continue to own their shares of Endorex stock after the merger and should continue to hold their stock certificates.

QUESTIONS FOR CTD STOCKHOLDERS

Q: WHAT IS ENDOREX?

A: Endorex is a development stage drug delivery company focused on developing oral and mucosal formulations of macromolecular and small molecule drugs that are currently administered by injections. Endorex's core drug delivery technology is based on lipid systems, which can be used to encapsulate fragile drugs in a protective layer of polymerized lipids or liposomes. This process allows fragile drugs to survive the stress of the gastrointestinal tract and improve the bioavailability of water insoluble drugs.

Q: DO CTD'S STOCKHOLDERS HAVE TO APPROVE THE MERGER?

A: Yes. Delaware General Corporation Law requires that the holders of a majority of the outstanding shares of CTD common stock and the holders of a majority of the outstanding shares of CTD Series A preferred stock, voting together on an as converted basis, must approve the merger and the merger agreement.

Q: HOW MANY VOTES DO I HAVE?

A: You are entitled to one vote for each share of CTD common stock and one vote for each share of CTD Series A preferred stock (representing the number of shares of common stock into which each share of CTD Series A preferred stock is convertible) that you owned at the close of business on November 19, 2001, the CTD record date.

Q: WHAT RIGHTS DO I HAVE TO DISSENT FROM THE MERGER?

A: Those CTD stockholders who do not wish to accept Endorex common stock issued in connection with the merger have the right under Delaware law to have the fair value of their CTD shares determined by the Delaware Chancery Court. This right to appraisal is subject to a number of restrictions and technical requirements as described under "The Merger--Appraisal Rights of CTD Stockholders."

Q: WILL CTD STOCKHOLDERS BE ABLE TO SELL THE ENDOREX COMMON STOCK THAT THEY RECEIVE IN THE MERGER?

A: All shares of Endorex common stock that CTD stockholders receive in connection with the merger will be listed on AMEX and will be freely transferable unless the holder is considered an affiliate of CTD, at the time the merger is submitted to the vote of CTD stockholders, or an affiliate of Endorex for purposes of the Securities Act of 1933, as amended, or the Securities Act (such as directors, officers or principal stockholders). Shares of Endorex common stock and warrants held by these affiliates may be sold only in compliance with Rule 145 under the Securities Act or pursuant to an effective registration statement or an exemption under the Securities Act. Certain affiliates of CTD have additionally agreed not to sell or transfer their Endorex common stock, options and warrants until the date upon which

Endorex has filed two reports on either Form 10-QSB or 10-KSB with the Securities and Exchange Commission, or SEC, for any two reporting periods subsequent to the effective date of the merger and thereafter only pursuant to an effective registration statement or an exemption under the Securities Act.

Q: WILL ANY PORTION OF THE ENDOREX COMMON STOCK ISSUED IN THE MERGER BE HELD IN ESCROW?

A: Yes. The merger agreement provides that 1,350,000 shares of the Endorex common stock to be issued in connection with the merger will be placed in escrow to indemnify Endorex for any damages or losses resulting from breaches of the merger agreement by CTD and for other specified matters. The escrow and indemnification provisions of the merger agreement, and the related escrow agreement, are described under "Agreement and Plan of Merger and Reorganization and Related Agreements--Indemnification" and "Agreement and Plan of Merger and Reorganization and Related Agreements--Related Agreements--Escrow Agreement."

Q: SHOULD CTD STOCKHOLDERS SEND IN THEIR STOCK CERTIFICATES NOW?

A: No. After the merger is completed, Endorex will send instructions to CTD stockholders explaining the procedure for exchanging their shares of common stock and Series A preferred stock of CTD for the appropriate number of shares of Endorex common stock.

Q: WHAT ARE THE FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER?

A: In general, CTD stockholders will recognize no gain or loss for federal income tax purposes on the exchange of their CTD stock in the merger, except with respect to any cash they receive in lieu of a fractional share of Endorex stock, as described under "The Merger--Material Federal Income Tax Consequences.

QUESTIONS FOR ENDOREX AND CTD STOCKHOLDERS

Q: WHEN DO YOU EXPECT TO COMPLETE THE MERGER?

A: Endorex and CTD are working to complete the merger in the fourth quarter of 2001. Because the merger is subject to various conditions, however, we cannot predict the exact timing or assure you that those conditions will be fully satisfied by the fourth quarter of 2001, if at all.

Q: HOW MANY SHARES OF ENDOREX COMMON STOCK WILL ENDOREX ISSUE IN THE MERGER?

A: In connection with the merger, Endorex expects to issue approximately 9.4 million shares of Endorex common stock and options and warrants exercisable for approximately 0.6 million shares of Endorex common stock in substitution for CTD options and warrants.

Q: WHAT PERCENTAGE OF ENDOREX WILL BE OWNED BY FORMER CTD STOCKHOLDERS IMMEDIATELY FOLLOWING THE MERGER?

A: Upon consummation of the proposed merger, CTD stockholders will own approximately 44% of the outstanding Endorex common stock, assuming the exercise of all outstanding Endorex options and warrants to be issued in substitution for CTD options and warrants. CTD stock options will be exchanged for options to purchase shares of Endorex common stock based on the CTD common stock exchange ratio and CTD warrants to acquire CTD Series A preferred stock will be exchanged for warrants to acquire Endorex common

stock based on the CTD common stock exchange ratio.

Q: WHAT DO I NEED TO DO NOW?

A: After carefully reviewing this joint proxy statement/prospectus, Endorex and CTD stockholders should fill out the applicable proxy card, sign and date it, and promptly return it in the enclosed return envelope as soon as possible. If you abstain from voting your shares, it will have the same effect as a vote against the matters to be voted upon at the stockholder meeting other than the election of the Endorex board of directors.

Q: CAN I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. You can change your vote at any time before your proxy is voted at the annual or special meeting, as applicable. You can do this by:

- sending a written notice to the corporate secretary of Endorex or CTD, as appropriate, stating that you would like to revoke your proxy;
- completing and submitting a new proxy card with a later date; or
- attending the annual or special meeting, as applicable, and voting in person.

Q: IF MY BROKER HOLDS MY SHARES IN STREET NAME, WILL MY BROKER VOTE MY SHARES FOR ME?

A: No. Your broker will not be able to vote your shares without instructions from you. If you have instructed your broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: WHO CAN I CALL WITH QUESTIONS?

A: If you are a Endorex stockholder with questions about the merger, please call Steve J. Koulogeorge, Controller and Assistant Secretary of Endorex, at (847) 573-8990.

If you are a CTD stockholder with questions about the merger, please call Nicholas Stergiopoulos, Director of Corporate Development of CTD, at (305) 777-2258.

SUMMARY

FOR YOUR CONVENIENCE, WE HAVE SUMMARIZED HERE INFORMATION THAT IS CONTAINED ELSEWHERE IN THIS DOCUMENT. THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. TO UNDERSTAND THE TRANSACTIONS MORE FULLY AND FOR A MORE COMPLETE DESCRIPTION OF THE LEGAL TERMS OF THESE TRANSACTIONS, YOU SHOULD CAREFULLY READ THIS DOCUMENT AND THE DOCUMENTS TO WHICH WE HAVE REFERRED. SEE "WHERE YOU CAN FIND MORE INFORMATION" ON PAGE 161. WE HAVE INCLUDED PAGE REFERENCES PARENTHETICALLY TO DIRECT YOU TO A MORE COMPLETE DESCRIPTION OF THE TOPICS IN THIS SUMMARY.

THE COMPANIES

ENDOREX CORPORATION
28101 Ballard Drive, Suite F
Lake Forest, Illinois 60045
(847) 573-8990

Endorex Corporation is a development stage drug delivery company focused on developing oral and mucosal formulations of macromolecular and small molecule drugs that are currently administered by injections. Endorex's core drug delivery technology is based on lipid systems which can be used to encapsulate fragile drugs in a protective layer of polymerized lipids and liposomes. Endorex believes this process may allow fragile drugs to survive the stress of the gastrointestinal tract and improve the bioavailability of water insoluble drugs. Endorex also believes this will result in better patient compliance. Applications of Endorex's technology could result in oral versions of peptide hormones, such as insulin and human growth hormone, other sensitive peptide drugs and proteins, and nucleic acids such as DNA and RNA. Virtually all of these compounds are currently given to patients via injection.

CORPORATE TECHNOLOGY DEVELOPMENT, INC.
1680 Michigan Avenue, Suite 700
Miami, Florida 33139
(305) 777-2258

CTD is a development stage pharmaceutical company. Its primary strategy is to develop, through its subsidiaries, innovative oral and mucosal formulations and new, therapeutic indications of drugs that previously have been approved by the FDA for marketing in the United States. Such compounds are known as approved chemical entities, or ACEs. CTD currently has two ACE drug products in clinical development, orBec-TM- and Oraprine-TM-; orBec-TM- is in phase III clinical trials and Oraprine-TM- is in phase I clinical trials. CTD also has a drug product in preclinical development, Metropt-TM-, for which an Investigational New Drug, or IND, application has been filed with and approved by the FDA.

THE MERGER (SEE PAGE 45)

Endorex and CTD have entered into a merger agreement that provides for the merger of a newly formed, wholly owned subsidiary of Endorex into CTD. As a result, CTD will become a wholly owned subsidiary of Endorex. Stockholders of CTD will become stockholders of Endorex following the merger, and (a) each share of CTD common stock will be exchanged for 0.271443 of a share of Endorex common stock and (b) each share of CTD Series A preferred stock will be exchanged for 1.008466 shares of Endorex common stock. In connection with the merger, Endorex expects to issue a total of approximately 9.4 million shares of Endorex common stock and options and warrants exercisable for approximately 0.6 million shares of Endorex common stock in substitution for CTD options and warrants. We urge you to carefully read in its entirety the merger agreement, a copy of which is attached as Appendix I hereto.

VOTING OF PROXIES (SEE PAGE 41 & 43)

To have your shares represented and voted at the applicable stockholder meeting, you must either attend and vote at the meeting in person or complete, date and sign the accompanying proxy card and promptly return it in the enclosed postage-paid envelope. All properly executed proxy cards that Endorex or CTD, as applicable, receive prior to the vote at the applicable stockholder meeting and that are not revoked, will be voted in accordance with the instructions indicated on the proxies or, if no instructions are given, to approve the proposals to be voted upon. A stockholder may revoke a proxy at any time before it is used by delivering to Endorex or CTD, as applicable, a signed notice of revocation or a later dated signed proxy card, or by attending the applicable stockholder meeting and voting in person.

STOCKHOLDER APPROVALS (SEE PAGE 41 & 44)

ENDOREX STOCKHOLDERS

At the annual meeting, the affirmative vote of the holders of a majority of the shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis, that are entitled to vote and are present or represented by proxy at the Endorex meeting is required to approve the proposals submitted to the Endorex stockholders for their approval, except (a) the election of directors which requires a plurality of the votes cast and (b) the amendment to the Amended and Restated Certificate of Incorporation which requires the approval of the holders of a majority of the outstanding shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis. Endorex stockholders are entitled to one vote per share of Endorex common stock and approximately 13.55 votes per share of Endorex Series B preferred stock owned on October 23, 2001, the record date.

As of October 15, 2001, directors and executive officers of Endorex and their affiliates beneficially owned an aggregate of 1,707,686 shares of Endorex common stock and 100,410 shares of Endorex Series B preferred stock (exclusive of any shares issuable upon the exercise of options) representing approximately 13.4% of the outstanding Endorex common stock and 100% of the outstanding Endorex Series B preferred stock on such date.

CTD STOCKHOLDERS

At the special meeting, the affirmative vote of the holders of a majority of the outstanding shares of CTD common stock voting together with the holders of the outstanding shares of CTD Series A preferred stock, on an as converted basis, is required to approve the merger and the merger agreement. CTD stockholders are entitled to one vote per share of CTD common stock and one vote per share of CTD Series A preferred stock owned at the close of business on November 19, 2001, the record date. Pursuant to a voting agreement in the form attached as Appendix II hereto, certain CTD stockholders, including CTD's directors, executive officers and their affiliates, owning beneficially approximately 63% and 61% of CTD's common stock and Series A preferred stock, respectively, outstanding as of October 15, 2001 have agreed to vote all of their shares of CTD capital stock for approval of the merger, the merger agreement and the transactions contemplated thereby.

As of October 15, 2001, directors and executive officers of CTD and their affiliates beneficially owned an aggregate of 2,872,453 shares of CTD common stock (exclusive of any shares issuable upon the exercise of options) and 1,000,000 shares of CTD Series A preferred stock, representing approximately 39.7% of the shares of CTD common stock and approximately 13.1% of the shares of CTD Series A preferred stock outstanding on such date.

TREATMENT OF CTD STOCK OPTIONS AND WARRANTS (SEE PAGE 66)

STOCK OPTIONS

At the effective time of the merger and without any action on the part of the holders of CTD options, each option to acquire CTD common stock that is issued and outstanding immediately prior to the merger, and all rights in respect thereof, will be exchanged for an Endorex option to acquire Endorex common stock. Each Endorex option will be evidenced by a new stock option agreement issued by Endorex to each of the holders of a CTD option. Each such Endorex option will have, and be subject to, the same terms and conditions set forth in the applicable option holder's stock option agreements for the CTD options, as in effect on the date of the merger agreement, except that the number of shares and the exercise price of the CTD options will be changed to

reflect the exchange ratio of 0.271443 of a share of Endorex common stock for each share of CTD common stock.

WARRANTS

The holders of CTD warrants exercisable for CTD Series A preferred stock have agreed to amend such warrants prior to the effective time of the merger such that at the effective time of the merger and without any action on the part of the holders of CTD warrants issued and outstanding immediately prior to the merger, such warrants and all rights in respect thereof will be exchanged for Endorex warrants to acquire Endorex common stock. Each Endorex warrant will be evidenced by a new warrant agreement issued by Endorex to each of the holders of a CTD warrant. Each such Endorex warrant will have, and be subject to, the same terms and conditions set forth in the applicable warrant holder's warrant agreement (as such warrant agreement will be amended pursuant to the terms of the merger agreement) for the CTD warrants, as in effect on the date of the merger agreement, except that the number of shares and the exercise price of the CTD warrants will be changed to reflect the exchange ratio of 0.271443 of a share of Endorex common stock for each share of CTD preferred stock and will be exercisable for Endorex common stock instead of CTD Series A preferred stock.

COMPARISON OF STOCKHOLDER RIGHTS (SEE PAGE 111)

As a result of the merger, CTD stockholders will become holders of shares of Endorex common stock. The rights of CTD stockholders are currently governed by the CTD charter, the CTD bylaws and the laws of the State of Delaware. Following the merger, the rights of all former holders of shares of CTD common stock and Series A preferred stock will be governed by the Endorex charter and the Endorex bylaws and will continue to be governed by the laws of the State of Delaware. In connection with the merger, CTD Series A preferred stock will be exchanged for common stock of Endorex. As a result of this exchange, holders of CTD's Series A preferred stock will lose certain important rights.

RECOMMENDATIONS OF THE BOARDS OF DIRECTORS (SEE PAGE 42 & 44)

The CTD and Endorex boards of directors have determined that the terms and conditions of the merger are in the best interests of their respective stockholders. The CTD board recommends that CTD stockholders vote "FOR" approval of the merger and the merger agreement, and the Endorex board recommends that Endorex stockholders vote "FOR" the issuance of the shares of Endorex common stock, options and warrants in connection with the merger.

OPINION OF ENDOREX FINANCIAL ADVISOR (SEE PAGE 52)

In deciding to approve the merger, the board of directors of Endorex considered, among various factors described below in "The Merger--Endorex's Reasons for the Merger and Recommendation of the Endorex Board of Directors," the opinion of its independent financial advisor, Wells Fargo Van Kasper, or WFVK.

On July 13, 2001, WFVK delivered its oral opinion to the Endorex board of directors that, as of that date, the consideration to be received from CTD stockholders (the exchange ratio) was fair from a financial point of view to the stockholders of Endorex. WFVK subsequently confirmed its oral opinion by delivering a written opinion dated July 13, 2001. The full text of the written opinion sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinion and is attached as Appendix III hereto. You should read this opinion in its entirety. WFVK'S OPINION IS DIRECTED TO ENDOREX'S BOARD OF DIRECTORS AND ADDRESSES ONLY THE FAIRNESS OF THE EXCHANGE RATIO PURSUANT TO THE MERGER AGREEMENT FROM A FINANCIAL

POINT OF VIEW TO THE STOCKHOLDERS OF ENDOREX AS OF THE DATE OF THE OPINION, AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER AS TO HOW STOCKHOLDERS SHOULD VOTE ON ANY MATTER RELATING TO THE MERGER.

INTERESTS OF CERTAIN PERSONS IN THE MERGER AND POTENTIAL CONFLICTS OF INTEREST (SEE PAGE 59)

When considering the recommendations of the boards of directors of Endorex and CTD regarding the merger, you should be aware that some directors and officers may have interests in the merger that are different from, or in addition to, yours. As a result, these directors and officers may be more likely to recommend approval of the merger, the merger agreement and the transactions contemplated thereby than CTD and Endorex stockholders generally. See "The Merger--Interests of Certain Persons in the Merger and Potential Conflicts of Interest."

CONDITIONS TO COMPLETION OF THE MERGER (SEE PAGE 69)

Whether Endorex and CTD complete the merger depends on a number of conditions being satisfied in addition to Endorex stockholders' approval of the issuance of Endorex common stock, options and warrants and CTD stockholders' approval of the merger and the merger agreement. However, either Endorex or CTD may choose to complete the merger even though one or more of these conditions has not been satisfied, as long as the applicable law allows them to do so. Neither Endorex nor CTD can be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

TERMINATION OF THE MERGER AGREEMENT (SEE PAGE 75)

At any time prior to the effective time of the merger, the merger agreement may be terminated by the mutual agreement of Endorex and CTD. Also, CTD or Endorex can decide, without the other's consent, to terminate the merger agreement:

- if the merger has not been completed on or before December 31, 2001;

- if the other party has breached the merger agreement; or

- for certain other reasons.

TERMINATION FEE AND EXPENSES (SEE PAGE 76)

CTD and Endorex have each agreed to pay the other party, under certain circumstances, reasonable costs and expenses incurred in connection with the merger agreement and a termination fee of $1,000,000.

NO SOLICITATION OF TRANSACTIONS (SEE PAGE 74)

The merger agreement prohibits Endorex from directly or indirectly taking certain actions relating to the solicitation of alternative proposals or offers for Endorex to acquire other entities, except in limited circumstances, and CTD is prohibited from directly or indirectly taking certain actions relating to the solicitation of competing proposals or offers to acquire all or any part of CTD's stock or assets.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER (SEE PAGE 61)

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or Internal Revenue Code. If the merger qualifies as a reorganization, CTD stockholders

generally will recognize no gain or loss for United States federal income tax purposes on the exchange of CTD stock for shares of Endorex common stock pursuant to the merger, except for cash received in lieu of fractional shares of Endorex common stock. Consummation of the merger is conditioned upon each of CTD and Endorex receiving a legal opinion from outside counsel that the merger constitutes a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Tax matters are very complicated and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult with your own tax advisor for a full understanding of all tax consequences of the merger to you.

ANTICIPATED ACCOUNTING TREATMENT OF THE MERGER (SEE PAGE 61)

Endorex intends to treat the merger as a purchase for accounting and financial reporting purposes, which means that CTD will be treated as a separate entity for periods prior to the closing, and thereafter as a wholly-owned subsidiary of Endorex.

MARKET PRICE INFORMATION (SEE PAGE 82)

Endorex common stock is traded on AMEX under the symbol "DOR." On July 31, 2001, the last trading day before announcement of the proposed merger, the closing price per share of Endorex common stock on AMEX was $1.13. On October 15, 2001, the latest practicable trading day before this joint proxy statement/prospectus was printed, the closing price per share of Endorex common stock was $.90. CTD is unable to provide information with respect to the market price of CTD stock because there is no established trading market for CTD stock.

RESTRICTIONS ON THE ABILITY TO SELL ENDOREX STOCK (SEE PAGE 67)

All shares of Endorex common stock that CTD stockholders receive in connection with the merger will be freely transferable unless the holder is considered an affiliate of CTD, at the time the merger is submitted to the vote of CTD stockholders, or an affiliate of Endorex for purposes of the Securities Act (such as officers, directors and principal stockholders). Shares of Endorex common stock and warrants held by these affiliates may be sold or transferred only pursuant to an effective registration statement or an exemption under the Securities Act. Certain affiliates of CTD have additionally agreed not to sell or transfer their Endorex common stock, options and warrants until the date upon which Endorex shall have filed two reports on either Form 10-QSB or 10-KSB with the SEC for any two reporting periods subsequent to the effective date of the merger and thereafter only pursuant to an effective registration statement or an exemption under the Securities Act.

APPRAISAL RIGHTS (SEE PAGE 63)

Under the Delaware General Corporation Law, any holder of shares of CTD stock who does not wish to accept the merger consideration in respect of its shares has the right to dissent from the merger and to seek an appraisal of, and to be paid the fair cash value (exclusive of any element of value arising from the accomplishment or expectation of the merger) for, its shares of stock, as determined by a court, together with a fair rate of interest, if any, provided that the stockholder fully complies with the provisions of Section 262 of the Delaware General Corporation Law. A copy of Section 262 is attached as Appendix IV hereto. If you properly request appraisal, the fair value of your shares will be determined by the Delaware Court of Chancery and may be less than or greater than the value of the consideration to be paid to CTD stockholders who do not seek appraisal. This right to appraisal is

subject to a number of restrictions and technical requirements. If you fail to strictly comply with all of the restrictions and requirements, you will lose your appraisal rights. Generally, in order to exercise your appraisal rights you must:

- send a written demand to CTD for appraisal in compliance with the Delaware General Corporation Law BEFORE the proposal to approve the merger is voted on;

- not vote in favor of approving the merger and merger agreement; and

- continuously hold your CTD common stock from the date you make the demand for appraisal through the completion of the merger.

MERELY VOTING AGAINST THE APPROVAL OF THE MERGER AND THE MERGER AGREEMENT WILL NOT PROTECT YOUR RIGHTS TO AN APPRAISAL. THE REQUIREMENTS UNDER DELAWARE LAW FOR EXERCISING APPRAISAL RIGHTS ARE DESCRIBED IN FURTHER DETAIL IN THE SECTION OF THIS JOINT PROXY STATEMENT/PROSPECTUS ENTITLED "APPRAISAL RIGHTS OF CTD STOCKHOLDERS" BEGINNING ON PAGE 63. THE COMPLETE TEXT OF SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW IS ATTACHED AS APPENDIX IV HERETO.

If you vote in favor of approving the merger and the merger agreement, you will waive your rights to seek appraisal of your shares of CTD common stock under Delaware law.

Endorex will not be obligated to complete the merger if CTD stockholders entitled to receive more than 250,000 shares of Endorex common stock to be issued in connection with the merger properly exercise their appraisal rights under Delaware law. However, Endorex may nevertheless waive its right not to complete the merger if the 250,000 share threshold is exceeded.

ESCROW AGREEMENT (SEE PAGE 78)

1,350,000 shares of Endorex common stock to be issued in the merger will be deposited into an escrow fund to indemnify Endorex for any losses or damages resulting from breaches of the merger agreement by CTD and for other specified matters. Except in limited circumstances, the escrow shares are Endorex's exclusive remedy for claims for indemnification and Endorex will receive compensation only if its aggregate damages exceed $100,000. On each of March 31, 2002, September 30, 2002 and March 31, 2003, 674,975, 337,502 and 337,523 shares of Endorex common stock, respectively, less any shares subject to an indemnification claim or which have been distributed to Endorex pursuant to indemnification claims, shall be distributed to the CTD stockholders from the escrow.

The form of the escrow agreement is attached as Appendix V hereto. CTD stockholders will be required to execute the escrow agreement in connection with the closing of the merger. You are encouraged to read the escrow agreement in its entirety.

TRADEMARKS

This document contains trademarks of Endorex, CTD and others.

OTHER ENDOREX PROPOSALS (SEE PAGE 40)

At the Endorex annual meeting, Endorex is also presenting to its stockholders the following proposals:

- amendment of Endorex's Amended and Restated Certificate of Incorporation changing Endorex's name to DOR BioPharma, Inc.;

- election of six directors to serve until the next annual meeting of the stockholders of Endorex or until their successors are duly elected and qualified;

- approval of an amendment of Endorex's Amended and Restated 1995 Omnibus Incentive Plan to (i) increase the number of shares of Endorex common stock reserved for issuance by an additional 2,165,664 shares, (ii) implement a maximum annual limit of 500,000 shares of common stock by which the share reserve may increase annually over the term of the 1995 Plan under the automatic share increase provision and (iii) modify the automatic option grant program to (a) increase the initial option grants to newly-elected board members to 50,000 shares vesting immediately and (b) provide for annual option grants to continuing board members for 10,000 shares vesting over one year;

- approval of the February 21, 2001 option grants to each non-employee member of the Endorex board of directors to purchase 50,000 shares of Endorex common stock;

- ratification of the appointment of Ernst & Young LLP as Endorex's independent auditors for the fiscal year ending December 31, 2001; and

- transaction of such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

ENDOREX SUMMARY HISTORICAL FINANCIAL DATA

The summary financial data presented below as of December 31, 2000 and for the five years ended December 31, 2000 is derived from the audited consolidated financial statements of Endorex. The summary financial data presented below as of and for the six months ended June 30, 2000 and June 30, 2001 and the cumulative period since inception of Endorex to June 30, 2001 is derived from the unaudited consolidated financial statements of Endorex. The data set forth below should be read in conjunction with Endorex's consolidated financial statements and accompanying notes and "Endorex Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this joint proxy statement/prospectus.

	PERIOD FROM FEBRUARY 1, 1996 TO DECEMBER 31,	YEAR ENDED DECEMBER 31,			
	1996	1997	1998	1999	2000
STATEMENT OF OPERATIONS DATA:					
SBIR contract revenue...	$ --	$ --	$ --	$ --	$
Operating expenses:					
SBIR contract research and development.....	--	--	--	--	
Proprietary research and development.....	1,141,926	1,826,066	1,977,994	2,028,945	956,
General and administrative.....	865,831	1,450,828	3,500,682	3,046,684	2,101,

Total operating expenses.....	2,007,757	3,276,894	5,478,676	5,075,629	3,058,
Loss from operations....	(2,007,757)	(3,276,894)	(5,478,676)	(5,075,629)	(3,058,
Equity in losses from joint ventures.....			(17,097,975)	(2,865,908)	(2,682,
Other income.....				3,790	250,
Interest income.....	44,880	185,642	799,335	488,582	747,
Interest expense.....		(153,074)	(15,854)	(51,854)	(51,
Net loss.....	(1,962,877)	(3,244,326)	(21,793,170)	(7,501,019)	(4,795,
Preferred stock dividends.....	--	--	(713,187)	(1,285,413)	(1,382,
Net loss applicable to common stockholders...	$(1,962,877)	$(3,244,326)	$(22,506,357)	$(8,786,432)	$(6,177,

	CUMULATIVE PERIOD FEBRUARY 15, 1985 (INCEPTION) TO JUNE 30, 2001
	(UNAUDITED)
STATEMENT OF OPERATIONS DATA:	
SBIR contract revenue...	$ 100,000
Operating expenses:	
SBIR contract research and development.....	86,168
Proprietary research and development.....	16,004,499
General and administrative.....	13,980,313
Total operating expenses.....	30,070,980
Loss from operations....	(29,970,980)
Equity in losses from joint ventures.....	(23,223,912)
Other income.....	253,725
Interest income.....	3,336,274
Interest expense.....	(340,630)
Net loss.....	(49,945,523)
Preferred stock dividends.....	(4,117,942)
Net loss applicable to common stockholders...	$(54,063,465)

	DECEMBER 31, 2000	JUNE 30, 2000	J

		(UNAUDITED)	(U
BALANCE SHEET DATA:			
Cash and cash equivalents	$10,831,266	$10,170,382	$
Working capital	10,112,440	12,267,644	
Total assets	13,669,458	15,012,487	1
Total stockholders' equity (deficit)	880,633	3,285,321	(

CTD SUMMARY HISTORICAL FINANCIAL DATA

The summary financial data presented below for the fiscal years ended December 31, 2000, December 31, 1999 and December 31, 1998 and as of December 31, 2000 are derived from the audited consolidated financial statements of CTD. The summary financial data presented below for the six months ended June 30, 2001 and June 30, 2000 and the period from January 1, 1998 (commencement of operations) through June 30, 2001 and as of June 30, 2001 is derived from the unaudited financial statements of CTD. The data set forth below should be read in conjunction with CTD's consolidated financial statements and accompanying notes and "CTD Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this joint proxy statement/ prospectus.

	YEAR ENDED DECEMBER 31,			SIX MONTHS	
	1998	1999	2000	JUNE 30, 2000	J
				(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:					
Interest income	$ 214,000	$ 167,000	$ 428,000	$ 230,000	
General and administrative expenses	991,000	1,528,000	1,354,000	607,000	
Research and development expenses	96,000	955,000	1,324,000	558,000	
Write-off of licenses	--	1,822,000	--	--	
	1,087,000	4,305,000	2,678,000	1,165,000	
	(873,000)	(4,138,000)	(2,250,000)	(935,000)	
Gain on sale of license	--	3,052,000	--	--	
Loss before minority interest and discontinued operations	(873,000)	(1,086,000)	(2,250,000)	(935,000)	
Minority interest in net income of subsidiary	--	(298,000)	--	--	

Loss from continuing operations....	(873,000)	(1,384,000)	(2,250,000)	(935,000)
Loss from operations of discontinued subsidiary.....	(3,121,000)	(4,852,000)	--	--
Gain on sale of discontinued subsidiary.....	--	4,956,000	--	--
Net loss.....	$(3,994,000)	$(1,280,000)	$(2,250,000)	$(935,000)

	DECEMBER 31, 2000	JUNE 30, 2001 (UNAUDITED)
BALANCE SHEET DATA:		
Cash and cash equivalents.....	$6,508,000	$5,072,000
Liabilities.....	$ 279,000	$ 242,000
Working Capital.....	$6,249,000	$4,831,000
Total assets.....	$6,645,000	$5,205,000
Stockholders' Equity.....	$6,366,000	$4,963,000

SUMMARY UNAUDITED PRO FORMA
FINANCIAL INFORMATION

The following table presents summary pro forma financial information related to Endorex's proposed acquisition of CTD and should be read in conjunction with the introduction to the unaudited pro forma financial information and related notes included elsewhere in this joint proxy statement/ prospectus. This information has been derived from each company's respective financial statements and notes, which are included elsewhere in this joint proxy statement/prospectus. The unaudited summary pro forma financial information below presents Endorex's statement of operations data on a pro forma basis to reflect the proposed acquisition of CTD as though the transaction had occurred on January 1, 2000 and presents balance sheet data on a pro forma basis as though the transaction occurred on June 30, 2001. You should not rely on the unaudited summary pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the acquisition had taken place earlier or as an indication of the results of operations or financial position of Endorex after completion of the acquisition.

	YEAR ENDED DECEMBER 31, 2000	SIX MONTHS ENDED JUNE 30, 2001

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS DATA:		
Revenue	$ --	$ --
Operating expenses	6,818,066	4,221,014
Loss from operations	(6,818,066)	(4,221,014)
Net loss	(8,127,250)	(4,359,886)
Net loss applicable to common stockholders	(9,509,450)	(5,097,028)
Basic and diluted net loss per share applicable to common stockholders	$ (0.44)	$ (0.23)
Basic and diluted weighted average common shares outstanding	21,628,144	22,175,742

	JUNE 30, 2001
UNAUDITED PRO FORMA BALANCE SHEET DATA:	
Cash and cash equivalents	$14,880,676
Working capital	11,457,974
Total assets	21,155,082
Long-term liabilities, net of current portion	162,754
Total stockholders' equity	7,484,636

RISK FACTORS

BY VOTING IN FAVOR OF THE MERGER, CTD STOCKHOLDERS WILL BE CHOOSING TO INVEST IN ENDOREX COMMON STOCK. AN INVESTMENT IN ENDOREX COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS JOINT PROXY STATEMENT/ PROSPECTUS IN DECIDING WHETHER TO VOTE FOR THE MERGER (OR, IN THE CASE OF ENDOREX STOCKHOLDERS, IN EVALUATING WHETHER TO VOTE IN FAVOR OF THE ISSUANCE OF SHARES OF ENDOREX COMMON STOCK, OPTIONS AND WARRANTS IN CONNECTION WITH THE MERGER). IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, THE BUSINESS AND PROSPECTS OF CTD OR ENDOREX MAY BE SERIOUSLY HARMED AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT.

RISKS RELATED TO THE MERGER

CTD STOCKHOLDERS WILL RECEIVE A FIXED NUMBER OF SHARES OF ENDOREX COMMON STOCK DESPITE CHANGES IN MARKET VALUE OF ENDOREX COMMON STOCK OR CHANGES IN THE VALUE OF CTD. THE DOLLAR VALUE OF ENDOREX COMMON STOCK RECEIVED IN THE MERGER MAY INCREASE OR DECREASE AFTER CTD STOCKHOLDERS SUBMIT THEIR PROXIES.

Endorex expects to issue approximately 9.4 million shares of Endorex common stock in exchange for all outstanding shares of CTD capital stock and to make certain payments to CTD employees in connection with the merger. In addition, Endorex expects to issue options and warrants exercisable for approximately 0.6 million shares of Endorex common stock in substitution for CTD options and warrants in connection with the merger. There will be no adjustment for changes in the market price of Endorex common stock. In addition, neither CTD nor Endorex may terminate the merger agreement or "walk away" from the merger or resolicit the vote of its stockholders solely because of changes in the market price of Endorex common stock.

Accordingly, the specific dollar value of Endorex common stock that CTD stockholders will receive upon the merger's completion will depend upon the market value of Endorex common stock when the merger is completed, which could

be lower than it was on the date you submit your proxy. The market price of Endorex common stock is by nature subject to the general price fluctuations in the market for publicly traded equity securities as well as substantial price fluctuations associated with development stage drug delivery companies. The market price of Endorex common stock has experienced significant volatility in the past. We urge you to obtain current market quotations for Endorex common stock. Endorex cannot predict or give any assurances regarding the market price of Endorex common stock at any time before or after the completion of the merger.

THE MERGER WILL RESULT IN AN IMMEDIATE AND SUBSTANTIAL INCREASE IN ENDOREX'S NET LOSS.

The merger would, on a pro forma basis, increase Endorex's net loss (before preferred dividends) from a loss of $4.8 million to a loss of $8.1 million for the year ended December 31, 2000. This increase in Endorex's loss from operations could have a negative impact on the market price of Endorex's common stock. Analysts and investors carefully review a company's earnings per share and often base investment decisions on a company's operating profits and losses and per share earnings.

ENDOREX'S STOCKHOLDERS WILL BE SUBSTANTIALLY DILUTED AS A RESULT OF THE MERGER.

Endorex will issue approximately 9.4 million shares of Endorex common stock and options and warrants exercisable for approximately 0.6 million shares of Endorex common stock in substitution for CTD options and warrants in connection with the merger. As of October 15, 2001, there were 12,741,858 shares of Endorex common stock outstanding. Upon completion of the merger, CTD stockholders will collectively own approximately 44% of Endorex's outstanding common stock assuming exercise of all Endorex options and warrants issued in substitution for CTD options and warrants. Therefore, after the merger, current Endorex stockholders will face immediate and substantial dilution and the CTD stockholders could exert significant influence over the matters of Endorex.

THE EXERCISE PRICE OF CERTAIN ENDOREX WARRANTS AND THE CONVERSION PRICE OF THE SERIES B AND SERIES C PREFERRED STOCK OF ENDOREX MAY BE SUBJECT TO ADJUSTMENT AS A RESULT OF THE MERGER, THEREBY DILUTING ENDOREX STOCKHOLDERS.

Certain warrants issued by Endorex and the Series B and Series C preferred stock of Endorex are subject to anti-dilution provisions that adjust the exercise price of the warrants and the conversion price of the Series B and Series C preferred stock. Depending upon the price per share of Endorex common stock as quoted on AMEX or any other national exchange at the effective time of the merger, the exercise price of the warrants and the conversion price of the Series B and C preferred stock may be adjusted, resulting in the issuance of a greater number of shares of Endorex common stock upon the exercise of the warrants and the conversion of the Series B and Series C preferred stock and diluting Endorex stockholders.

ENDOREX AND CTD MAY NOT SUCCESSFULLY MEET THE CHALLENGES NECESSARY TO REALIZE THE POTENTIAL BENEFITS OF THE MERGER.

Endorex and CTD will need to overcome significant issues in order to realize any benefits or synergies from the merger, including, but not limited to, the following challenges:

- developing and commercializing existing product candidates of both companies;

- integrating the operations, business models and research and development

of both companies;

- integrating CTD product candidates and technology with Endorex drug delivery technology;

- developing or acquiring new product candidates or technology;

- successfully commercializing future product candidates or technology;

- obtaining FDA approval for the product candidates of both companies;

- developing and commercializing products that can successfully compete with similar products; and

- raising sufficient funds to develop and commercialize product candidates.

The successful completion of these post-merger events will involve considerable difficulty and there can be no assurance that Endorex will be able to overcome these obstacles, or that there will be a market for existing product candidates or new products developed by Endorex after the merger. Endorex's failure to do so could have a material adverse effect on the combined company's business, financial condition and operating results or could result in the loss of key personnel. In addition, the attention and effort devoted to the integration of the two companies may divert management's attention from other important issues, and could seriously harm the combined company.

THE MARKET PRICE OF ENDOREX COMMON STOCK MAY DECLINE AS A RESULT OF THE MERGER.

The market price of Endorex common stock may decline as a result of the merger if:

- investors or analysts do not view the merger favorably;

- the integration of Endorex and CTD is unsuccessful;

- Endorex does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by the two companies, financial or industry analysts or investors;

- the effect of the merger on Endorex's financial results is not consistent with the expectations of both companies, financial or industry analysts or investors;

- the combined company fails to successfully develop or market the product candidates of Endorex and CTD; or

- the demand for CTD and Endorex products fails to develop or diminishes.

ENDOREX'S AND CTD'S OFFICERS AND DIRECTORS MAY HAVE INTERESTS IN THE MERGER DIFFERENT FROM THOSE OF THE STOCKHOLDERS OF ENDOREX AND CTD THAT MAY INFLUENCE THEM TO SUPPORT OR APPROVE THE MERGER.

Endorex's and CTD's current directors and officers may have interests in the merger that are in addition to, or different from, the interests of other Endorex and CTD stockholders. These interests include:

- Pursuant to the terms of the merger agreement, CTD's current directors and officers will, after the merger, be indemnified by CTD and, for a period of six years thereafter, benefit from insurance coverage for liabilities that arise from their service as directors and officers of CTD prior to

the merger.

- Pursuant to the terms of the merger agreement, after the closing of the merger, Dr. Colin Bier, Guy Rico and Peter Kliem, currently directors of CTD, will become directors of Endorex. Mr. Rico and Mr. Kliem, as non-employee directors, will upon appointment and subject to the approval of Proposal Four by the Endorex stockholders at the Endorex annual meeting, receive an option exercisable for 50,000 shares of Endorex common stock and will thereafter each receive options exercisable for an additional 10,000 shares of Endorex common stock at each annual meeting of the Endorex stockholders vesting one year from the date of grant. If Proposal Four is not approved, then each will receive an option exercisable for 42,000 shares of Endorex common stock upon their appointment to the Endorex board of directors and will thereafter each receive an option exercisable for 12,000 shares of Endorex common stock for every two years they serve as a non-employee director of Endorex.

- Concurrently with the closing of the merger, Dr. Bier, the Chairman of the board of directors of CTD, will enter into an agreement with Endorex to become the Chairman of the board of directors and the Chief Executive Officer of Endorex. Pursuant to this agreement, Dr. Bier will receive an initial annual base salary of $275,000 and options exercisable for 700,000 shares of Endorex common stock.

- Pursuant to the terms of the merger agreement, Steve H. Kanzer, the President and a director of CTD, will receive a payment of 250,000 shares of Endorex common stock upon the closing of the merger.

- Concurrently with the closing of the merger, Mr. Kanzer will enter into a noncompetition and nonsolicitation agreement with Endorex whereby he will be paid approximately $250 per hour for any time incurred while assisting Endorex in obtaining and enforcing patents, copyrights or trademarks for any intellectual property acquired or discovered by Mr. Kanzer during the course of performing services for or acting as an employee or officer of CTD.

- Pursuant to the terms of the merger agreement, Nicholas Stergiopoulos, the Director of Corporate Development of CTD, will receive a payment of 133,334 shares of Endorex common stock upon the closing of the merger.

- Concurrently with the closing of the merger, Mr. Stergiopoulos will enter into a consulting agreement with Endorex whereby he will be paid approximately $8,200 per calendar month for a period of six months. In addition, Mr. Stergiopoulos will receive 1% of the proceeds of any licensing or asset sale transaction between RxEyes, Inc., a majority owned subsidiary of CTD, and a certain third party or its affiliates, if that license agreement or asset sale was consummated due to the efforts of Mr. Stergiopoulos.

- Pursuant to a voting agreement in the form attached as Appendix II hereto among Endorex, CTD, Roadrunner and the other parties thereto, certain CTD stockholders, including CTD's directors, executive officers and their affiliates, owning beneficially approximately 63% and 61% of CTD's common stock and Series A preferred stock, respectively, outstanding as of October 15, 2001 have agreed to vote all of their shares of CTD common stock and Series A preferred stock for approval of the merger, the merger agreement and the transactions contemplated thereby.

- As of October 15, 2001, the officers and directors of CTD owned in the aggregate options exercisable for 1,322,725 shares of CTD common stock at

an exercise price of $.20 per share which will be assumed by Endorex and exchanged for Endorex options exercisable for 359,042 shares of Endorex common stock at an exercise price of $.74 per share.

Mr. Kanzer is a director of Endorex and the President and Chief Executive Officer and a director of CTD. As of October 15, 2001, Mr. Kanzer beneficially owned 1.92% of Endorex's common stock and 21.0% of CTD's common stock. Mr. Kanzer serves on the board of directors of Endorex as a nominee of the Aries Master Fund II and the Aries Domestic Fund, who subsequently transferred their right to nominate a member to the board of directors of Endorex to Aries Select, Ltd., or Aries, and Aries Select I LLC, or Aries I, each of which is a principal stockholder of Endorex. Aries Select II LLC, or Aries II, is also a stockholder of Endorex.

Paramount Capital Asset Management, Inc., or PCAM, is the investment manager of Aries and the managing member of each of Aries I and Aries II. Lindsay A. Rosenwald, M.D. is the Chairman and sole stockholder of PCAM and Paramount Capital, Inc., or Paramount. As of October 15, 2001, Dr. Rosenwald beneficially owned 34.0% of Endorex's common stock. Paramount has acted as a placement agent in connection with certain private placements of Endorex's common stock, as a finder in connection with a private placement of Endorex's common stock and warrants, and as a financial advisor to Endorex. In addition, certain officers, employees and associates of Paramount and its affiliates own securities of Endorex and a subsidiary of Endorex.

Dr. Rosenwald is also the Chairman and sole stockholder of Huntington Street Company, or Huntington Street, and June Street Company, or June Street, and is the sole member of Paramount Capital Drug Development Holdings LLC, or Paramount Holdings. Paramount Holdings and Dr. Rosenwald's wife are principal stockholders of CTD. Dr. Rosenwald, Huntington Street and June Street are also stockholders of CTD. In addition, certain officers, employees and associates of Paramount and its affiliates own securities of CTD and subsidiaries of CTD. Paramount has also acted as a placement agent in connection with certain private placements of CTD's Series A preferred stock. As of October 15, 2001, Dr. Rosenwald beneficially owned 56.5% of CTD's common stock and 6.0% of CTD's Series A preferred stock. Additionally, as of October 15, 2001, Dr. Rosenwald's wife beneficially owned 8.9% of CTD's common stock.

Mr. Peter Kash, an employee of Paramount who beneficially owns 5.0% of CTD's common stock and is a security holder of Endorex, and Mr. Martin Kratchman, an employee of Paramount who is a security holder of both Endorex and CTD, will, at the closing of the merger, receive options to acquire an aggregate of 100,000 shares of common stock of Endorex. Mr. Kash and Mr. Kratchman are receiving the options as compensation for their financial advisory services to Endorex in connection with the merger.

For the above reasons, the directors and officers of Endorex and CTD who are entitled to vote at Endorex's annual meeting of stockholders and CTD's special meeting of stockholders could be more likely to vote to approve the merger, the merger agreement and the transactions contemplated thereby than if they did not have these interests. Endorex and CTD stockholders should consider whether these interests may have influenced these directors and officers to support or recommend the merger.

FAILURE TO COMPLETE THE MERGER COULD NEGATIVELY IMPACT ENDOREX'S STOCK PRICE AND ENDOREX'S AND CTD'S FUTURE BUSINESS AND OPERATIONS.

If the merger is not completed for any reason, Endorex and CTD may be subject to a number of material risks, including the following:

- depending on the reasons for termination of the merger agreement, Endorex may be required to pay CTD, or CTD may be required to pay Endorex, a termination fee of $1,000,000 plus costs and expenses incurred in connection with the merger agreement;

- the market value of Endorex common stock may decline if the market views the proposed merger positively and the current market price reflects a market assumption that the merger will be completed; and

- costs incurred by Endorex and CTD related to the merger, such as legal and accounting fees, must be paid even if the merger is not completed.

In addition, Endorex or CTD corporate partners, existing and potential investors and suppliers, in response to the announcement of the merger, may delay or defer decisions concerning the two companies. Any delay or deferral in those decisions could have a material adverse effect on the business of either company, regardless of whether the merger is ultimately completed. Similarly, current and prospective employees may experience uncertainty about their future roles until strategies with regard to the two companies are announced or executed. This may adversely affect the ability of either company to attract and retain key management, sales, marketing and technical personnel.

Further, if the merger is not completed and the board of directors of either company determines to seek another merger or business combination, there can be no assurance that either company will be able to find an acceptable candidate or negotiate a transaction on acceptable terms. Pursuant to the merger agreement, CTD is prohibited from soliciting, initiating or encouraging or entering into certain extraordinary transactions, such as a merger, sale of assets or other business combination, with any party other than Endorex. Furthermore, pursuant to the merger agreement, Endorex is prohibited from soliciting, initiating or encouraging or entering into any agreement or arrangement to acquire all or substantially all of the outstanding securities or assets of another entity if such acquisition would materially adversely effect Endorex's ability to consummate the merger.

THE COMBINED COMPANY WILL CONTINUE TO HAVE THE RISKS THAT EACH OF ENDOREX AND CTD WERE SUBJECT TO BEFORE THE MERGER.

CTD will represent a substantial portion of the operations, businesses and results of the combined company. As a result, the combined company will be susceptible to the risks to which both Endorex and CTD are subject. These risks are more fully described in this "Risk Factor" section.

RISKS RELATED TO ENDOREX

IF ENDOREX CANNOT OBTAIN ADDITIONAL FUNDING, ENDOREX MAY REDUCE OR DISCONTINUE ITS PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS.

Until it is able to generate sufficient revenue from the sale and/or licensing of its products, Endorex will require additional funding to sustain its research and development efforts, provide for future clinical trials, and continue its operations. Endorex cannot be certain whether it will be able to obtain additional required funding on terms satisfactory to it, if at all. In addition, Endorex has expended, and will continue to expend, substantial funds developing its product candidates and for clinical trials. Endorex currently has commitments to spend additional funds in connection with development of its oral delivery systems, licenses, severance arrangements, employment agreements and consulting agreements. If Endorex is unable to raise additional funds when necessary, Endorex may

have to reduce or discontinue development, commercialization or clinical testing of some or all of its product candidates or enter into financing arrangements on terms that Endorex would not otherwise accept.

ENDOREX HAS HAD SIGNIFICANT LOSSES AND ANTICIPATES FUTURE LOSSES.

Endorex is a development stage company that has experienced significant losses since inception and has a significant accumulated deficit. Endorex expects to incur significant additional operating losses in the future and expects cumulative losses to substantially increase due to expanded research and development efforts, preclinical studies and clinical trials. All of Endorex's products are currently in development, preclinical studies or clinical trials and Endorex has not generated significant revenues from product sales or licensing. There can be no guarantee that Endorex will ever generate product revenues sufficient to become profitable or to sustain profitability.

ENDOREX IS DEPENDENT ON ITS JOINT VENTURES, CORPORATE PARTNERS AND FUTURE JOINT VENTURES OR CORPORATE PARTNERSHIPS.

Endorex's strategy for research, development and commercialization of certain of its technologies is to rely on arrangements with corporate partners. As a result, Endorex's ability to commercialize future products is dependent upon the success of third parties in performing preclinical studies and clinical trials, obtaining regulatory approvals, and manufacturing and successfully marketing Endorex's products. In connection with Endorex's two joint ventures with Elan, InnoVaccines Corporation, or InnoVaccines, and Endorex Newco, Ltd., or Newco, Endorex is obligated to fund research and development activities in proportion to Endorex's ownership interest in each joint venture, currently 80.1% of each joint venture. If Endorex does not have sufficient resources to meet its funding obligations under each of the two Elan joint ventures, Endorex may have to terminate the joint ventures prior to commercialization of its technologies or renegotiate the terms of the joint ventures, and Endorex's interest in the joint ventures may be diluted.

Endorex cannot assure you that its joint ventures, corporate collaborations or corporate partnerships will be successful or that the development efforts carried out by them will continue. Endorex is currently in discussions with Elan regarding terminating InnoVaccines and Newco, although no definitive agreements have been reached by Endorex and Elan with respect to such terminations. Endorex cannot assure you that the results of these discussions will be favorable or that the joint ventures with Elan will continue. If Elan chooses to discontinue its collaborations with Endorex, Endorex may not be able to continue to license certain proprietary technology from Elan and obtain Elan's expertise and research and development services on reasonable terms, if at all.

Newco is Endorex's joint venture with Elan that has focused on developing a product to deliver iron chelation compounds using Elan's MEDIPAD-Registered Trademark- delivery device. Newco licensed Elan's MEDIPAD-Registered Trademark- device on a worldwide basis to Schein Pharmaceutical, Inc., or Schein, which has been acquired by Watson Pharmaceuticals, Inc., or Watson, for use with Schein's iron chelation compound. Schein agreed to develop and market the MEDIPAD-Registered Trademark- iron chelation product in the United States, and Newco and Schein agreed to jointly seek partners for marketing the product outside the United States. In May 2001, Watson indicated to Endorex that it will not continue to meet the obligations originally agreed to by Schein in connection with the license, although no definitive agreements have been reached by Newco and Watson. Subsequently, Watson discontinued its collaboration efforts. Endorex cannot assure you that Watson and Newco will continue their efforts to develop, market, commercialize or obtain the necessary regulatory approvals for the MEDIPAD-Registered Trademark- delivery device in the United States or internationally or that the agreement with Watson will continue. Thus, Endorex

cannot assure you that Newco's MEDIPAD-Registered Trademark- iron chelator product will be marketed and sold in the near future or at all. If the collaboration with Watson does not continue, Endorex cannot assure you that Newco will be able

to find another corporate partner to develop and market an iron chelation product or that Endorex will continue with its MEDIPAD-Registered Trademark- iron chelator joint venture with Elan. In the event that Endorex and Elan terminate their Newco joint venture, Endorex may lose its rights to use Elan's MEDIPAD-Registered Trademark- technology and its supply of MEDIPAD-Registered Trademark- devices.

Endorex intends to pursue additional corporate partnerships and collaborations in the future; however, the terms available may not be acceptable to Endorex and the corporate partnerships or collaborations may not be successful. In addition, the amount and timing of resources that Endorex's collaborators devote to these activities are not within Endorex's control. If any of Endorex's current corporate partnerships, such as those discussed above, are discontinued, Endorex cannot assure you that it will be able to find others to develop and commercialize its current product candidates. If any of Endorex's corporate partnerships and collaborations for its current product candidates are discontinued, Endorex may not be able to continue the development of such product candidates due to the loss of technology, intellectual property or expertise or due to contractual restrictions. Furthermore, the successful development and commercialization of Endorex's drug delivery technology depends upon entering into corporate partnerships, collaborations or license agreements that provide rights to drug candidates that are compatible with Endorex's drug delivery technology and that are safe and proven effective for medical conditions. Endorex cannot assure you that it will be able to enter into such new corporate partnerships, collaborations or license agreements to develop and commercialize any future product candidates using its drug delivery technology.

PROBLEMS IN PRODUCT DEVELOPMENT MAY INCREASE AND VARY THE RATE AT WHICH ENDOREX SPENDS ITS FUNDS.

Endorex has limited experience with preclinical development, clinical trials and regulatory affairs and if it encounters unexpected difficulties with its operations or clinical trials, Endorex may have to spend additional funds, which would increase its cash depletion rate. Endorex's cash depletion rate will vary substantially from quarter to quarter as Endorex funds non-recurring items associated with clinical trials, product development, patent expenses, legal fees and consulting fees.

ENDOREX'S PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY NOT BE SUCCESSFUL.

Endorex's product candidates, which have not received regulatory approval, are in the early stages of development. If the initial results from any of the evaluations for these product candidates are poor, those results could seriously harm Endorex's business and its ability to raise additional capital which may be necessary to continue research and development for its oral delivery technology. In addition, product candidates resulting from Endorex's research and development efforts, if any, are not expected to be available commercially for several years, if at all.

Although Endorex is involved in developing oral versions of injectable drugs and vaccines that have already been approved by the FDA, the products Endorex is currently developing will require significant additional laboratory and clinical testing and investment for the foreseeable future. Endorex's product candidates may not show sufficient efficacy in animal models to justify continuing research

into clinical testing stages or may not prove to be effective in clinical trials or may cause serious harmful side effects. In addition, Endorex's product candidates, if approved, may prove impracticable to manufacture in commercial quantities at a reasonable cost and/or with acceptable quality. Any of these results could seriously harm Endorex's business.

Endorex's products, if approved, may not be immediately used by doctors unfamiliar with Endorex's product applications. Endorex or its commercialization partner may be required to implement an aggressive education and promotion plan with doctors in order to gain market recognition, understanding and acceptance of Endorex's products. Any such effort may be time consuming and costly and might not be successful.

ENDOREX'S PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY BE REDUCED OR DISCONTINUED DUE TO DIFFICULTIES OR DELAYS IN CLINICAL TRIALS.

Endorex may encounter unanticipated problems, including development, manufacturing, distribution, financing and marketing difficulties, during the product development, approval and commercialization process. Endorex's product candidates may take longer than anticipated to reach and progress through clinical trials. In addition, patient enrollment in the clinical trials may be delayed or prolonged significantly, thus delaying the clinical trials and causing increased costs. If Endorex experiences any such difficulties or delays, Endorex may have to reduce or discontinue development, commercialization or clinical testing of some or all of Endorex's product candidates.

ENDOREX DEPENDS ON A LIMITED NUMBER OF SUPPLIERS AND MANUFACTURERS.

Prior to commercial distribution of any of its products, if approved, Endorex will need to enter into contracts with commercial suppliers or manufacturers for production of commercial volumes of its products. Endorex cannot guarantee that such suppliers or manufacturers will be able to qualify their facilities under regulations imposed by the FDA or that they will be able to label and supply Endorex in a timely manner, if at all, with drugs that meet regulatory and commercial requirements. Accordingly, any failure to enter into supply or manufacturing agreements, any failure of such suppliers and manufacturers to perform, and any change in Endorex's existing or future contractual relationships with, or an interruption in supply from, any third-party service provider or supplier could seriously harm Endorex's ability to develop and commercialize its products.

ENDOREX DOES NOT HAVE AGREEMENTS WITH THIRD PARTIES OR A SALES FORCE TO MARKET ITS PRODUCTS.

If Endorex receives approval from the FDA for Endorex's initial product candidates, the commercialization of these products will depend upon Endorex's ability to enter into marketing agreements with companies that have sales and marketing capabilities or to recruit, develop, train and deploy its own sales force. Endorex currently intends to sell its products in the United States and internationally in collaboration with one or more marketing partners. Endorex cannot assure you that it will be able to enter into any such collaborations to commercialize products in a timely manner or on commercially reasonable terms, if at all. Additionally, Endorex does not currently have a sales force, or possess the resources or experience necessary to market any of its product candidates, if they are approved. Development of an effective sales force requires significant financial resources, time and expertise. Endorex cannot assure you that it will be able to obtain the financing necessary to establish such a sales force in a timely or cost effective manner, if at all, or that such a sales force will be capable of generating demand for Endorex's product candidates, if they are approved.

ENDOREX MAINTAINS LIMITED PRODUCT LIABILITY INSURANCE AND MAY BE EXPOSED TO CLAIMS IF ITS INSURANCE COVERAGE IS INSUFFICIENT.

The clinical testing, manufacture and sale of Endorex's products involves an inherent risk that human subjects in clinical testing or consumers of Endorex's products may suffer serious bodily injury or death due to side effects, allergic reactions or other unintended negative reactions to Endorex's products. Endorex currently has clinical trial and product liability insurance with limits of liability of $10 million. Because liability insurance is expensive and difficult to obtain, Endorex cannot assure you that it will be able to maintain existing insurance or obtain additional liability insurance on acceptable terms or with adequate coverage against potential liabilities. Endorex's inability to obtain sufficient insurance coverage on acceptable terms or to otherwise protect against potential liability claims in excess of Endorex's insurance coverage could seriously harm Endorex's business.

ENDOREX USES HAZARDOUS MATERIALS IN ITS BUSINESS. ANY CLAIMS RELATING TO IMPROPER HANDLING, STORAGE, OR DISPOSAL OF THESE MATERIALS COULD BE COSTLY.

Endorex's research and development processes involve the controlled use of hazardous materials, including hazardous chemicals and radioactive and biological materials. Endorex's operations also produce hazardous waste products. Endorex cannot fully eliminate the risk of accidental contamination or discharge of such materials and any resulting injury. Endorex could be subject to civil damages in the event of improper or unauthorized release of, or exposure of individuals to, hazardous materials. In addition, Endorex could be sued for injury or contamination that results from its use of hazardous materials or their use by third parties or Endorex's collaborators, and Endorex's liability may exceed its assets. Federal, state, and local laws and regulations govern the use, manufacture, storage, handling, and disposal of these materials. Endorex believes that its current operations comply in all material respects with these laws and regulations. Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair Endorex's research, development, or commercialization efforts.

ENDOREX MAY NOT BE ABLE TO COMPETE WITH ITS COMPETITORS IN THE BIOTECHNOLOGY INDUSTRY.

The biotechnology industry is intensely competitive, subject to rapid change and sensitive to new product introductions or enhancements. Virtually all of Endorex's existing competitors have greater financial resources, larger technical staffs, and larger research budgets than Endorex has, as well as greater experience in developing products and conducting clinical trials. Endorex's competitors in the field of oral and nasal delivery of protein and peptide-based drugs include Emisphere Technologies, which has started phase III trials for oral heparin and phase I trials for oral calcitonin (through its collaborator Novartis) and oral insulin; Unigene Laboratories, which has an oral calcitonin product in phase I/II trials; Nobex Corp. (formerly known as Protein Delivery), which has an oral insulin in phase II trials, and Generex, which has an oral insulin spray in phase I trials. Endorex's competitors in the vaccine delivery field include Aviron, which is developing a nasal flu vaccine that is in phase III clinical trials, I.D. Biomedical, which is in phase I/II trials with an intranasal flu vaccine and another major vaccine, specialized biotechnology firms, universities, and governmental agencies. Endorex's competitors in the liposomal formulation field include The Liposome Company (owned by Elan Corporation), NexStar (owned by Gilead Sciences, Inc.) and Sequus (owned by ALZA Corporation). In addition, there may be other companies which are currently developing competitive technologies and products or which may in the

future develop technologies and products that are comparable or superior to Endorex's technologies and products. Accordingly, Endorex cannot assure you that it will be able to compete successfully with its existing and future competitors or that competition will not negatively affect Endorex's financial position or results of operations in the future.

ENDOREX MAY NOT BE SUCCESSFUL IF IT IS UNABLE TO OBTAIN AND MAINTAIN PROPRIETARY POSITIONS IN ITS PRODUCTS AND TECHNOLOGY.

Endorex's success depends, in large part, on its ability to obtain and maintain a proprietary position in Endorex's products through patents, trade secrets and orphan drug designations. Endorex has been granted several United States patents and has submitted several United States patent applications and numerous corresponding foreign patent applications, and has also obtained licenses to patents and patent applications owned by other entities. However, Endorex cannot assure you that any of these patent applications will be granted or that Endorex's patent licensors will not terminate any of its patent licenses. Endorex also cannot guarantee that any issued patents will provide competitive advantages for its products or that any issued patents will not be successfully challenged or circumvented by Endorex's competitors. Further, the laws of certain countries may not protect Endorex's proprietary rights to the same extent as United States law and Endorex cannot assure you it will obtain patent protection outside the United States. To the extent that Endorex relies on trade

secret protection and confidentiality agreements to protect Endorex's technology, others may independently develop similar or superior technology, or otherwise obtain access to Endorex's findings or research materials embodying those findings, thus diminishing the value of such trade secrets and confidentiality obligations.

The application of patent law to the field of biotechnology is relatively new and has resulted in considerable litigation. In addition, since patent applications in the United States are maintained in secrecy until patents issue, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, Endorex cannot be certain that it and its licensors are the first creators of inventions covered by any licensed patent applications or patents or that they are the first to file. Moreover, the United States Patent and Trademark Office, or PTO, may commence interference proceedings involving Endorex's patents or patent applications, in which the question of first inventorship is contested. There is a substantial risk in the rapidly developing biotechnology industry that patents and other intellectual property rights held by Endorex could be infringed by others or that products developed by Endorex or its method of manufacture could be covered by patents owned by other companies. Although Endorex believes that its products and services do not infringe on any third party's patents or other intellectual property rights, Endorex cannot be certain that it can avoid litigation involving such proprietary rights. Intellectual property litigation entails substantial legal and other costs and may take years to resolve, and Endorex may not have the necessary financial resources to defend or prosecute Endorex's rights in connection with any litigation. Responding to, defending or bringing claims related to patents and other intellectual property rights may require Endorex's management to redirect its human and monetary resources to address these claims and may take years to resolve.

ENDOREX DEPENDS ON LICENSES FROM THIRD PARTIES.

Endorex's business depends on its license of polymerized liposome technology from the Massachusetts Institute of Technology, or MIT, licenses from Elan in connection with Endorex's two joint ventures with Elan, and the technology

licensed by InnoVaccines from Southern Research Institute. Endorex's license agreement with MIT provides that Endorex will commence phase I clinical trials with the MIT liposome technology prior to January 1, 2002. Endorex cannot assure you that it will be able to meet this commitment. If Endorex fails to meet this commitment and fails to obtain a waiver or extension from MIT, then MIT will have a right to terminate Endorex's license to the MIT liposome technology and have a claim against Endorex for breach of contract. In addition, Endorex cannot assure you that the technology underlying these licenses will be profitable, or that Endorex will be able to retain licenses for these technologies. If Endorex is unable to retain these licenses and rights to third party technology, or if Endorex is unable to obtain rights to substitute technology on reasonable terms, Endorex's development efforts and business will be seriously harmed.

ENDOREX MAY BE FORCED TO REDUCE OR DISCONTINUE PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS DUE TO DELAYS OR FAILURE IN OBTAINING REGULATORY APPROVALS.

Endorex will need to do substantial additional development and clinical testing prior to seeking any regulatory approval for commercialization of Endorex's product candidates. Testing, manufacturing, commercialization, advertising, promotion, exporting and marketing, among other things, of Endorex's proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. The testing and approval process requires substantial time, effort and financial resources and Endorex cannot guarantee that any approval will be granted on a timely basis, if at all. At least initially, Endorex intends, to the extent possible, to rely on licensees to obtain regulatory approval for marketing Endorex's products. Failure by Endorex or its licensees to adequately demonstrate the safety and efficacy of any of its product candidates under development could delay, limit or prevent regulatory approval of the product, which may require Endorex to reduce or discontinue development, commercialization or clinical testing of some or all of its product candidates.

Companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in conducting advanced human clinical trials, even after obtaining promising results in earlier trials. Furthermore, the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Also, even if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which the product may be marketed. Accordingly, Endorex may be unable to, or experience difficulties and delays in obtaining, necessary governmental clearances and approvals to market a product.

ENDOREX'S PRODUCTS, IF APPROVED, MAY NOT BE COMMERCIALLY VIABLE DUE TO HEALTH CARE CHANGES AND THIRD-PARTY REIMBURSEMENT LIMITATIONS.

Recent initiatives to reduce the federal deficit and to change health care delivery are increasing cost-containment efforts. Endorex anticipates that Congress, state legislatures and the private sector will continue to review and assess alternative benefits, controls on health care spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending, price controls on pharmaceuticals, and other fundamental changes to the health care delivery system. Any such changes could negatively impact the commercial viability of Endorex's products, if approved. Endorex's ability to successfully commercialize its product candidates, if they are approved, will depend in part on the extent to which appropriate reimbursement codes and authorized cost reimbursement levels of such products and related treatment are obtained from governmental authorities, private health insurers and other organizations, such as health maintenance organizations. In the absence of national Medicare coverage determination, local contractors that

administer the Medicare program, within certain guidelines, can make their own coverage decisions. Accordingly, there can be no assurance that any of Endorex's product candidates, if approved and when commercially available, will be included within the then current Medicare coverage determination or the coverage determination of state Medicaid programs, private insurance companies and other health care providers. In addition, third-party payers are increasingly challenging the necessity and prices charged for medical products, treatments and services. Also, the trend toward managed health care and the growth of health maintenance organizations in the United States may result in lower prices for Endorex's products, if approved and when commercially available, than Endorex currently expects. The cost containment measures that health care payers and providers are instituting and the effect of any health care changes could negatively affect Endorex's financial performance, if one or more of Endorex's products are approved and available for commercial use.

ENDOREX'S BUSINESS COULD BE SERIOUSLY HARMED IF ENDOREX CANNOT ATTRACT AND RETAIN KEY PERSONNEL.

Endorex's success is dependent, in part, upon Michael S. Rosen, Endorex's President and Chief Executive Officer, Panayiotis Constantinides, Ph.D., Endorex's Vice President of Research and Development, John McCracken, Endorex's Vice President of Business Development, and Steve Koulogeorge, Endorex's Controller, Assistant Secretary and Assistant Treasurer. Endorex also believes that its future success will depend largely upon its ability to attract and retain highly skilled research and development and technical personnel. Although Endorex maintains and is the beneficiary of key man life insurance for Mr. Rosen, Endorex does not believe the proceeds would be adequate to compensate it for his loss. Endorex faces intense competition in its recruiting activities, including competition from larger companies with greater resources. Endorex cannot assure you that it will be successful in attracting or retaining skilled personnel. The loss of certain key employees or Endorex's inability to attract and retain other qualified employees could seriously harm its business.

ENDOREX'S STOCK PRICE IS HIGHLY VOLATILE AND ITS STOCK IS THINLY TRADED.

The market price of Endorex's common stock, like that of many other development stage public pharmaceutical and biotechnology companies, has been highly volatile and may continue to be so in the future due to many factors, including, but not limited to:

- actual or anticipated fluctuations in its results of operations;
- announcements of innovations by Endorex or its competitors;
- introduction of new products by Endorex or its competitors;
- additions or departures of key personnel;
- commencement of litigation;
- developments with respect to intellectual property rights;
- conditions and trends in the pharmaceutical and drug delivery industries;
- changes in estimates of the development, future size and growth rate of Endorex's markets;
- general market conditions; and
- future sales of Endorex's common stock.

In addition, the stock market has experienced significant price and volume fluctuations that affect the market price for the common stock of Endorex and many other biotechnology companies. These market fluctuations were sometimes unrelated or disproportionate to the operating performance of these companies. Any significant stock market fluctuations in the future, whether due to Endorex's actual performance or prospects or not, could result in a significant decline in the market price of Endorex's common stock.

Since it commenced trading on the American Stock Exchange on August 6, 1998, Endorex's common stock has been thinly traded. Endorex cannot assure you that a more active trading market for its common stock will develop.

ENDOREX CANNOT ASSURE YOU THAT IT WILL CONTINUE TO BE LISTED ON THE AMERICAN STOCK EXCHANGE.

Endorex cannot assure you that it will satisfy the requirements necessary to remain listed on the American Stock Exchange or that the American Stock Exchange will not take actions to delist Endorex's common stock. If such events were to occur, Endorex cannot assure you that it will be able to list its common stock on another national exchange. If Endorex's common stock is not listed on an exchange, Endorex cannot assure you that an active trading market will exist for its common stock.

INVESTORS MAY SUFFER SUBSTANTIAL DILUTION.

Endorex has a number of agreements or obligations that may result in dilution to investors. These include:

- warrants to purchase 2,014,001 shares of common stock at $2.54375 per share, subject to adjustment, issued in connection with the October 1997 private placement of Endorex's common stock;

- warrants to purchase 230,770 shares of common stock at $10.00 per share, subject to adjustment, held by Elan;

- warrants to purchase 43,334 shares of common stock at $2.3125 per share, subject to adjustment, held by Aries Select Ltd. and warrants to purchase 23,334 shares of common stock at $2.3125

  per share, subject to adjustment, held by Aries Select I LLC, both issued on May 19, 1997 pursuant to a senior line of credit that has been subsequently retired;

- warrants to purchase 452,383 shares of common stock at $5.91, subject to adjustment, held by certain investors pursuant to the April 2000 private placement of Endorex's common stock;

- warrants to purchase 226,190 shares of common stock at $5.25, subject to adjustment, issued to Paramount Capital, Inc., as the finder in connection with the April 2000 private placement of Endorex's common stock;

- conversion rights and dividend rights of preferred stock held by Elan, consisting of 100,410 shares of Series B preferred stock ($8.0 million original liquidation value) bearing an 8% cumulative payment-in-kind dividend and convertible at the liquidation value into common stock at $7.38 per share and 97,603 shares of Series C preferred stock ($8.4 million original liquidation value) bearing a 7% cumulative payment-in-kind dividend and exchangeable for part of Endorex's interest in the Newco joint ventures with Elan or convertible at liquidation value

into common stock at $8.86 per share;

- options to purchase approximately 2.2 million shares of common stock issued to participants in Endorex's stock option plan with a weighted average exercise price of approximately $2.01; and

- anti-dilution rights under the above warrants and preferred stock, which can permit purchase of additional shares and/or lower exercise/conversion prices under certain circumstances.

To the extent that anti-dilution rights are triggered, or warrants, options or conversion rights are exercised, Endorex's stockholders will experience substantial dilution and Endorex's stock price may decrease.

FUTURE SALES OF COMMON STOCK BY ITS EXISTING STOCKHOLDERS COULD ADVERSELY AFFECT ENDOREX'S STOCK PRICE.

The market price of Endorex's common stock could decline as a result of sales by Endorex's existing stockholders of shares of common stock in the market, or the perception that these sales could occur. These sales also might make it more difficult for Endorex to sell equity securities in the future at a time and at a price that Endorex deems appropriate.

ENDOREX HAS NOT PAID CASH DIVIDENDS.

Endorex has never paid cash dividends on its common stock and it does not anticipate paying any dividends in the foreseeable future. Endorex currently intends to retain earnings, if any, to develop its business.

ENDOREX HAS CERTAIN RELATIONSHIPS THAT MAY PRESENT POTENTIAL CONFLICTS OF INTEREST.

Lindsay A. Rosenwald, M.D. is the Chairman and sole stockholder of Paramount Capital Asset Management, Inc., or PCAM, Paramount Capital, Inc., or Paramount, and Paramount Capital Investment LLC, or PCI, a merchant banking and venture capital firm specializing in biotechnology companies. PCAM is the investment manager of Aries Select, Ltd., and the managing member of Aries Select I LLC and Aries Select II LLC, each of which is an affiliate of PCI, PCAM, Paramount and Lindsay Rosenwald. Aries Select I LLC and Aries Select, Ltd. are principal stockholders, and Aries Select II LLC is also a stockholder, of Endorex. Paramount has also acted as a placement agent in connection with private placements of Endorex's common stock, as a finder in connection with a private placement of Endorex's common stock and warrants and as a financial advisor to Endorex. In addition, certain officers, employees and associates of Paramount and its affiliates own securities of a subsidiary of Endorex. In the regular course of its business, PCI identifies, evaluates and pursues investment opportunities in biomedical and pharmaceutical products, technologies and companies.

However, PCI is under no obligation to make any additional products or technologies available to Endorex, and Endorex does not expect, and you should not expect, that any biomedical or pharmaceutical product or technology identified by such affiliates or PCI in the future will be made available to it. In addition, certain of Endorex's officers and directors and officers or directors appointed in the future may from time to time serve as officers, directors or consultants of other biopharmaceutical or biotechnology companies and those companies may have interests that conflict with Endorex's interests.

CERTAIN DIRECTORS, OFFICERS AND STOCKHOLDERS HAVE SIGNIFICANT INFLUENCE.

Endorex's directors, executive officers and principal stockholders and certain of their affiliates have the ability to influence the election of directors and most other stockholder actions. This may discourage or prevent any proposed takeover of Endorex, including transactions in which stockholders might otherwise receive a premium for their shares over the then current market prices. Such stockholders may also influence corporate actions, including influencing elections of directors and significant corporate events.

RISKS RELATED TO CTD

CTD HAS NO OPERATING HISTORY, HAS AN ACCUMULATED DEFICIT, HAS NEVER BEEN PROFITABLE AND MAY NOT BE ABLE TO GENERATE REVENUES SUFFICIENT TO ACHIEVE PROFITABILITY.

CTD, to date, has had no operations and has not been profitable since inception in 1997. As of June 30, 2001, CTD had an accumulated deficit of approximately $9.0 million. CTD expects to continue to incur significant operating losses for the foreseeable future, as it expects to continue to incur costs related to research, development, testing, regulatory compliance activities, and initiation and continuation of clinical trials. CTD has never received any significant milestone revenue or license fees. CTD expects that it will take a number of years before it generates revenue from commercial sales of products based upon any drug target or drug lead that it identifies, and may never do so. CTD cannot assure you that it will achieve significant revenues or that it will ever achieve profitability. CTD's ability to generate revenue will depend on its ability, alone or with others, to successfully research, develop, obtain regulatory clearance for, manufacture, and market its products under development. In addition, if collaborative development arrangements are terminated or commercialization efforts under those agreements are delayed or are unsuccessful, then successful commercialization of CTD's products under development may be delayed or terminated, which could have a material adverse effect on its business.

CTD IS AN EARLY DEVELOPMENT STAGE COMPANY AND MAY NOT SUCCEED IN DEVELOPING COMMERCIALLY VIABLE PRODUCTS.

To be profitable, CTD must, alone or with corporate partners and collaborators, successfully research, develop and commercialize its technologies or product candidates. Current technologies and product candidates are in various stages of clinical and pre-clinical development and will require significant further funding, research, development, preclinical and/or clinical testing, regulatory approval and commercialization testing, and are subject to the risks of failure inherent in the development of products based on innovative or novel technologies. They are also rigorously regulated by the federal government, particularly the FDA, and by comparable agencies in state and local jurisdictions and in foreign countries. Each of the following is possible with respect to any one of CTD's technologies or product candidates:

- that CTD will not be able to maintain its current research and development schedules;

- that CTD will not be able to enter into human clinical trials because of scientific, governmental or financial reasons, or that CTD will encounter problems in clinical trials that will cause it to delay or suspend development of one of the technologies;

- that its products will be found to be ineffective or unsafe;

- that government regulations will delay or prevent its products' marketing for a considerable period of time and impose costly procedures upon CTD's

activities;

- that the FDA or other regulatory agencies will not approve a given product or will not do so on a timely basis;

- that the FDA or other regulatory agencies may not approve the process or facilities by which a given product is manufactured;

- that CTD's dependence on others to manufacture its products may adversely affect CTD's ability to develop and deliver the products on a timely and competitive basis;

- that, if CTD is required to manufacture its own products, CTD will be subject to similar risks regarding delays or difficulties encountered in manufacturing the products, will require substantial additional capital, and may be unable to manufacture the products in a manner that meets regulatory requirements or in a cost-effective manner;

- that the FDA's policies may change and additional government regulations and policies may be instituted, both of which could prevent or delay regulatory approval of CTD's potential products; or

- that CTD will be unable to obtain, or will be delayed in obtaining, approval of a product in other countries because the approval process varies from country to country and the time needed to secure approval may be longer or shorter than that required for FDA approval.

If any of the risks set forth above occurs, CTD may not be able to successfully develop its technologies and product candidates and CTD's business will be seriously harmed.

Similarly, it is possible that, for reasons including, but not limited to those set forth below, CTD may be unable to commercialize, or receive royalties from the sale of, any given technology, even if it is shown to be effective, if:

- it is uneconomical or if the market for CTD's products does not develop or diminishes;

- CTD is not able to enter into arrangements or collaborations to commercialize its products;

- in the case of one of CTD's pharmaceutical technologies, it is not eligible for third-party reimbursement from government or private insurers;

- others hold proprietary rights that preclude CTD from commercializing any of its products;

- others have brought to market similar or superior products;

- others have superior resources to market similar products or technologies;

- government regulation imposes limitations on the indicated uses of a product, or later discovery of previously unknown problems with a product results in added restrictions on the product or results in the product being withdrawn from the market; or

- the product has undesirable or unintended side effects that prevent or limit its commercial use.

CTD'S CURRENT AND FUTURE PRODUCT CANDIDATES MAY NOT BE DEVELOPED SUCCESSFULLY AND MAY NOT TREAT MEDICAL CONDITIONS OTHER THAN THOSE ALREADY BEING TREATED BY

THE ACES.

CTD is focused on the development of new therapeutic uses and new oral and mucosal formulations of ACEs. CTD cannot assure you that its product candidates will effectively treat medical conditions other than those for which the ACE was designed, have new therapeutic uses or utilize new formulations.

EVEN IF ORBEC-TM- IS APPROVED, ITS PROFITABILITY MAY BE LIMITED.

CTD's business may not become profitable if and when orBec-TM-, CTD's lead product candidate, is approved for commercialization by the FDA or similar foreign regulatory agencies because the market for the use of orBec-TM- for the treatment of intestinal GVHD is relatively small. CTD has initiated clinical studies to examine whether or not orBec-TM- is effective and safe when used to treat disorders other than intestinal GVHD, but CTD does not know whether these studies will in fact demonstrate safety and efficacy, or if they do, whether CTD will succeed in receiving regulatory clearance to market orBec-TM- for additional indications. If the results of these studies are negative, or if adverse experiences are reported in these clinical studies or otherwise in connection with the use of orBec-TM- by patients, this could undermine physician and patient comfort with the product, limit the commercial success of the product, and even impact the acceptance of orBec-TM- in the intestinal GVHD market. Furthermore, new technology is being developed for bone marrow transplants that could reduce or eliminate instances of intestinal GVHD resulting from bone marrow transplants, and therapeutic alternatives to bone marrow transplants may become available. Any such developments could significantly decrease the market for orBec-TM-.

IF SUFFICIENT FUNDS TO FINANCE CTD'S BUSINESS ARE NOT AVAILABLE TO CTD WHEN NEEDED OR ON ACCEPTABLE TERMS, CTD MAY BE REQUIRED TO DELAY, SCALE BACK, ELIMINATE OR ALTER ITS STRATEGY FOR ITS PROGRAMS.

CTD will require additional funds for its research and product development programs, operating expenses, the pursuit of regulatory approvals, license or acquisition opportunities and the expansion of its production, sales and marketing capabilities. Historically, CTD has satisfied its funding needs through equity financings. These funding sources may not be available to CTD when needed in the future, and, if available, they may not be on terms acceptable to CTD. Insufficient funds could delay, scale back or eliminate research and development programs or cause CTD to discontinue its business. CTD's cash requirements may vary materially from those now planned because of factors including:

- increased research and development expenses;
- patent or other intellectual property developments and disputes;
- licensing or acquisition opportunities;
- relationships with collaboration partners;
- litigation;
- the FDA regulatory process;
- capital expenditures not needed in the ordinary course of business; and
- selling, marketing and manufacturing expenses in connection with commercialization of products.

CTD MAINTAINS LIMITED PRODUCT LIABILITY INSURANCE AND MAY BE EXPOSED TO CLAIMS IF ITS INSURANCE COVERAGE IS INSUFFICIENT.

The clinical testing, manufacture and sale of CTD's products involves an inherent risk that human subjects in clinical trials or consumers of CTD's products will suffer serious bodily injury or death due to side effects, allergic reactions, drug interactions or other unintentional negative reactions to CTD's products. Furthermore, CTD's clinical trial and product liability insurance has a $4 million limit. Because such liability insurance is expensive and difficult to obtain, CTD cannot assure you that it will be able to maintain existing insurance or obtain additional liability insurance on acceptable terms or with adequate coverage against potential liabilities. CTD's inability to obtain sufficient insurance coverage on acceptable terms or to otherwise protect against potential liability claims in excess of CTD's insurance coverage, if any, could seriously harm CTD's business.

IF CTD FAILS TO ADEQUATELY PROTECT ITS INTELLECTUAL PROPERTY RIGHTS OR FACES A CLAIM OF INTELLECTUAL PROPERTY INFRINGEMENT BY A THIRD PARTY, THEN CTD COULD LOSE VALUABLE INTELLECTUAL PROPERTY RIGHTS, BE LIABLE FOR SIGNIFICANT DAMAGES OR BE PREVENTED FROM COMMERCIALIZING ITS PRODUCTS.

CTD's success depends in part on its ability to obtain and maintain patents, protect trade secrets and operate without infringing upon the proprietary rights of others. In the absence of patent and trade secret protection, competitors may adversely affect CTD's business by independently developing and marketing substantially equivalent or superior products and technology, possibly at lower prices. It is also possible that CTD could incur substantial costs in litigation if CTD is required to defend itself in intellectual property infringement suits brought by third parties, or if CTD is required to initiate litigation against others to protect or assert its intellectual property rights.

CTD has filed various patent applications covering certain uses of its product candidates. However, CTD may not be issued patents from the patent applications already filed or from applications CTD may file in the future. Moreover, the patent position of companies in the pharmaceutical industry generally involves complex legal and factual questions, and recently has been the subject of much litigation. Any patents CTD has obtained, or may obtain in the future, may be challenged, invalidated or circumvented. To date, no consistent policy has been developed in the PTO regarding the breadth of claims allowed in biotechnology patents.

In addition, since patent applications in the United States are maintained in secrecy until patents issue, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, CTD cannot be certain that it and its licensors are the first creators of inventions covered by any licensed patent applications or patents or that they are the first to file. Moreover, the PTO may commence interference proceedings involving its patents or patent applications, in which the question of first inventorship is contested. Accordingly, there can be no assurance that patents owned by CTD or patents licensed to CTD in the future will be valid or will afford it protection against competitors with similar technology or that patent applications licensed to CTD will result in the issuance of patents. Any challenge to, or invalidation or circumvention of, CTD's patents or patent applications could have a material adverse effect on its business.

No assurance can be given that any issued patents will provide competitive advantages for the proposed products or will not be successfully challenged or circumvented by competitors, or that the patents of others will not be infringed by CTD's proposed products. In addition, others may independently develop similar products or duplicate any of CTD's products. It is also possible that

CTD's patented technologies may infringe on patents or other rights owned by others, licenses to which may not be available to CTD. CTD may have to alter its products or processes, pay licensing fees or cease activities altogether because of patent rights of third parties, thereby causing additional unexpected costs and delays to CTD.

CTD relies upon unpatented proprietary technology. CTD may not be able to meaningfully protect its rights with regard to such unpatented proprietary technology and competitors may duplicate or independently develop substantially equivalent technology. A failure by CTD to protect its rights could seriously harm CTD's business. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to any of the proposed projects of CTD, disputes may arise as to the proprietary rights to such information which may not be resolved in favor of CTD. Third parties, typically drug companies, hold patents or patent applications covering the composition-of-matter for most of the ACEs for which CTD has use patents or patent applications. In each of these cases, unless CTD has or obtains a license agreement, CTD generally may not commercialize the ACE until these third-party patents expire. Because pharmaceutical patents typically provide valuable rights that take many years to develop, the United States has laws that allow the term of such patents to be extended. This has led to complex and costly litigation between large pharmaceutical companies and others seeking to sell products based on compositions of matter covered

by expiring patents. Licenses may not be available to CTD for these patents on acceptable terms, if at all. In addition, CTD would incur substantial cost, expense and delay as well as expand considerable management and operational resources if it needed to contest the validity of a third-party patent or defend itself against claims that it infringed a third-party patent. Moreover, litigation involving third-party patents may not be resolved in CTD's favor.

CTD DEPENDS ON LICENSES FROM THIRD PARTIES.

CTD relies on license agreements from several third parties for the rights to commercialize its product candidates. Such agreements require that CTD meet certain milestones; the failure to meet those milestones allows licensors to terminate the licenses, whereas meeting those milestones triggers payment obligations on the part of CTD. CTD may not be able to retain the rights granted under such agreements or negotiate additional agreements on reasonable terms, or at all. CTD is currently involved in a dispute with the licensors of its Metropt-TM- product candidate, and has received communications from the licensors that they intend to terminate that license agreement. CTD may not be able to resolve that dispute on terms that are favorable to CTD, or at all. In the event that CTD is not able to settle that dispute and retain its rights under the Metropt-TM- license agreement, it would not be able to commercialize the Metropt-TM- product without the risk of a lawsuit from the licensors for infringement of their patent rights and misappropriation of their trade secrets, which lawsuit could be costly and distracting to management and could result in a costly damage award against CTD, including the potential for a treble damage award for willful infringement, and injunctions that could prevent CTD from pursuing its Metropt-TM- business.

CTD MAY NOT BE ABLE TO QUALIFY ITS PRODUCT CANDIDATES FOR CERTAIN GOVERNMENTAL PROGRAMS AND OBTAIN THE MARKET EXCLUSIVITY PROVIDED UNDER SUCH PROGRAMS.

CTD's business strategy relies significantly on the product and use exclusivity provided by various government programs, including programs under the Orphan Drug Act of 1983 and Waxman-Hatch Amendment of 1984, as well as the three year market exclusivity period for approved new drug applications and supplemental new drug applications. Currently, the FDA has granted orphan drug

status to orBec-TM-, for treatment of intestinal GVHD and prevention of GVHD, and to Oraprine-TM-, for the treatment of oral auto-immune diseases. However, CTD may not be able to maintain the orphan drug designations or qualify its future product candidates for such governmental programs and obtain the exclusivity provided thereunder, or obtain the market exclusivity provided for new drug applications and supplemental new drug applications. Without such exclusivity, CTD may not be able to successfully commercialize its product candidates.

CTD EXPECTS TO FACE INTENSE COMPETITION AND ITS COMPETITORS HAVE GREATER RESOURCES AND CAPABILITIES THAN CTD.

CTD encounters intense competition and the market for CTD's proposed products is characterized by rapidly changing technology, evolving industry standards, and the frequent introduction of new products. In order to compete effectively, CTD will need to continually upgrade its scientific expertise and technology, bring to market in a timely manner products that meet changing market demands, identify and retain capable management, and pursue scientifically feasible and commercially viable opportunities. Products or technologies developed by others may render CTD's products or technologies non-competitive or obsolete.

Many companies, research institutes, hospitals and universities are working to develop products and processes in CTD's fields of research and development. Most of these entities have substantially greater financial, technical, manufacturing, marketing, distribution and other resources than CTD. Many of CTD's competitors have greater experience in undertaking testing and clinical trials. Accordingly, other companies may succeed in developing products earlier than CTD or products that

are more effective than those proposed to be developed by CTD. Further, it is expected that competition in CTD's field will intensify.

Competition is particularly intense in the gastroenterology and transplant areas being addressed by CTD. Numerous companies are attempting to develop technologies to treat GVHD by suppressing, through various mechanisms, the immune system. Some companies, including Sangstat, Abgenix, and Protein Design Labs, Inc., are developing monoclonal antibodies to treat GVHD. Biotransplant, Novartis, Medimmune, and Ariad are developing both gene therapy products or small molecules to treat GVHD.

Competition is also intense in the therapeutic area of inflammatory bowel disease, or IBD, including Crohn's disease and ulcerative colitis. Several companies, including Centocor, Immunex, and Celgene, have products that are currently FDA approved. For example, Centocor, a subsidiary of Johnson & Johnson, markets the drug product Remicade. Other drugs used to treat IBD include another orally-active corticosteroid called budesonide, which is being marketed by AstraZeneca in Europe and Canada under the tradename of Entocort. In addition, Salix Pharmaceuticals, Inc. markets an FDA-approved therapy for ulcerative colitis.

Several companies have also established various colonic drug-delivery systems to deliver therapeutic drugs to the colon for treatment of Crohn's disease. These companies include Ivax Corporation, Inkine Pharmaceutical Corporation, and Elan Pharmaceuticals, Inc. Isis Pharmaceuticals, Inc. is in the process of developing an antisense therapy to treat Crohn's disease.

CTD MAY NOT RECEIVE GOVERNMENTAL PRODUCT APPROVAL AND MAY NOT BE ABLE TO COMMERCIALIZE ITS PRODUCTS.

The proposed products of CTD will be subject to very stringent United States, federal, foreign, state and local government regulations, including, without limitation, the Federal Food, Drug and Cosmetic Act, the Environmental Protection Act, the Occupational Safety and Health Act, and state and local counterparts to such acts. Similar regulatory frameworks exist in other countries where CTD may seek to market its products. Prior to marketing any proposed product CTD may develop, such product must undergo an extensive regulatory approval process.

The regulatory process includes pre-clinical and clinical testing of any product to establish its safety and efficacy. This testing can take many years and require the expenditure of substantial capital and other resources. Delays or denials of marketing approval are regularly encountered due to the submission of data deemed unacceptable or incomplete by the FDA or other similar regulatory agency, or due to regulatory policy for product approvals. These delays may be encountered both domestically and abroad. Other problems that may arise during clinical trials include:

- results of clinical trials may not be consistent with earlier clinical or pre-clinical study results; and

- products may not be shown to be safe and efficacious.

There is no assurance that even after clinical testing, regulatory approval will ever be obtained. If obtained, regulatory approval entails limitations on the indicated uses for which any products may be marketed. Following regulatory approval, if any, a marketed product and its manufacturer are subject to continual regulatory review. Later discovery of problems with a product or manufacturer may result in restrictions on such product or manufacturer. These restrictions may include withdrawal of the marketing approval for the product. Moreover, if CTD fails to comply with applicable regulatory requirements, CTD may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

CTD'S RESEARCH AND DEVELOPMENT CONTRACTORS MAY NOT BE COMPLYING WITH UNITED STATES GOOD LABORATORY PRACTICE.

CTD has not and some third party contractors performing research and development for CTD may not have Good Laboratory Practice, or GLP, designation from the United States regulatory authorities, and they may fail to qualify for GLP designation. Failure to qualify for GLP designation may impair CTD's ability to use the results of such party's research which, may seriously harm CTD's product development efforts.

CTD MUST COMPLY WITH GOVERNMENTAL REGULATION REGARDING ENVIRONMENTAL MATTERS AND ANY PAST OR FUTURE FAILURE TO COMPLY COULD ADVERSELY AFFECT CTD'S FINANCIAL CONDITION.

CTD is subject to various foreign, federal, state and local environmental laws and regulations, in particular those governing the use, storage, handling and disposal of hazardous substances and hazardous wastes. CTD believes that it is in material compliance with environmental laws. Nonetheless, there can be no assurance that hazardous materials have not been released into the environment as a result of CTD's prior or ongoing operations. In the event of such a release of hazardous substances, CTD could be held liable for any damages that result and such liability could have a material adverse effect on CTD's business, financial conditions and results of operations. While CTD does not anticipate material costs to comply with environmental laws, there can be no assurances that in the future, CTD will not be required to make significant capital

expenditures to comply with these laws or that CTD's business, financial condition, and results of operation will not be materially adversely affected by current or future environmental laws or regulations.

CTD'S PRODUCTS, IF APPROVED, MAY NOT BE COMMERCIALLY VIABLE DUE TO HEALTH CARE CHANGES AND THIRD-PARTY REIMBURSEMENT LIMITATIONS.

Recent initiatives to reduce the federal deficit and to change health care delivery are increasing health care cost-containment efforts. CTD anticipates that Congress, state legislatures and the private sector will continue to review and assess alternative benefits, controls on health care spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending, price controls on pharmaceuticals, and other fundamental changes to the health care delivery system. Any such changes could negatively impact the commercial viability of CTD's products, if approved. CTD's ability to successfully commercialize its product candidates, if they are approved, will depend in part on the extent to which appropriate reimbursement codes and authorized cost reimbursement levels of such products and related treatment are obtained from governmental authorities, private health insurers and other organizations, such as health maintenance organizations. In the absence of national Medicare coverage determination, local contractors that administer the Medicare program, within certain guidelines, can make their own coverage decisions. Accordingly, there can be no assurance that any of CTD's product candidates, if approved and when commercially available, will be included within the then current Medicare coverage determination or the coverage determination of state Medicaid programs, private insurance companies and other health care providers. In addition, third-party payers are increasingly challenging the necessity and prices charged for medical products, treatments and services. Also, the trend toward managed health care and the growth of health maintenance organizations in the United States may all result in lower prices for CTD's products, if approved and when commercially available, than CTD currently expects. The cost containment measures that health care payers and providers are instituting and the effect of any health care changes could negatively affect CTD's financial performance, if one or more of CTD's products are approved and available for commercial use.

CTD DEPENDS UPON KEY PERSONNEL, CONSULTANTS AND EMPLOYEES FOR BOTH ITSELF AND ITS SUBSIDIARIES.

CTD is highly dependent upon its officers, as well as consultants and collaborating scientists. The loss of certain of these individuals could have a negative impact on CTD.

Competition for qualified employees among pharmaceutical and biotechnology companies is intense, and the loss of any of such persons, or an inability to attract, retain and motivate any additional highly skilled employees required for the expansion of CTD's activities, could have a material adverse effect on CTD. There can be no assurance that CTD will be able to retain its existing personnel or attract additional qualified employees and such failure would seriously harm CTD's business.

CTD LACKS MANAGEMENT AND EMPLOYEE DEPTH.

CTD has only two full time employees: a President and a Director of Corporate Development. CTD may need to identify and attract potential candidates for other positions. This process could take several months, or longer, and CTD may not be successful in attracting suitable candidates on terms acceptable to CTD, if at all.

CTD HAS CERTAIN INTERLOCKING RELATIONSHIPS THAT MAY PRESENT POTENTIAL CONFLICTS

OF INTEREST.

Lindsay A. Rosenwald, M.D., is the Chairman and sole stockholder of Paramount, PCI, Huntington Street Company and June Street Company, and is the sole member of Paramount Capital Drug Development Holdings LLC, or Paramount Holdings. Paramount Holdings and Mr. Rosenwald's wife are principal stockholders of CTD. Mr. Rosenwald, Huntington Street Company and June Street Company are also stockholders of CTD. In addition, certain officers, employees and associates of Paramount and its affiliates own securities of CTD and subsidiaries of CTD. Paramount has also acted as a placement agent in connection with private placements of CTD's Series A preferred stock. In the regular course of its business, PCI identifies, evaluates and pursues investment opportunities in biomedical and pharmaceutical products, technologies and companies. However, PCI is under no obligation to make any additional products or technologies available to CTD, and CTD does not expect, and you should not expect, that any biomedical or pharmaceutical product or technology identified by PCI or any other affiliates of Dr. Rosenwald in the future will be made available to CTD. In addition, certain of CTD's current officers and directors and officers or directors of CTD appointed in the future may from time to time serve as officers, directors or consultants of other biopharmaceutical or biotechnology companies and those other companies may have interests that conflict with CTD's interests.

CTD'S CLINICAL TRIALS AND PRE-CLINICAL RESULTS ARE UNCERTAIN.

In order for CTD to be granted regulatory approvals to sell its proposed products, CTD or its collaborators will need to successfully conduct extensive pre-clinical and clinical testing to demonstrate safety and efficacy of those products in humans. The results of pre-clinical and clinical testing may prove to be inconclusive. The results of pre-clinical testing are subject to varying interpretations and may not be indicative of results that will be obtained in humans. In addition, the results of early clinical trials may not be indicative of the results of later clinical trials. As results of particular pre-clinical studies and clinical trials are received, CTD and/or its collaborators, if any, may abandon projects that they had previously thought promising.

Regulatory agencies may not accept CTD's interpretation of results from pre-clinical and clinical trials. Even if the development of CTD's products advances to the clinical stage, there can be no assurance that they will prove to be safe and effective for human use. The products that are successfully developed, if any, will be subject to requisite regulatory approval prior to their commercial sale, and the approval, if obtainable, may take several years. Generally, only a very small percentage of

new pharmaceutical products are approved for sale. Even if a new pharmaceutical product is approved for sale, it may not be commercially successful. CTD may encounter unanticipated problems relating to development, manufacturing, distribution and marketing, some of which may be beyond CTD's financial and technical capacity to resolve. The failure to address such problems adequately will seriously harm CTD's business.

CTD LACKS SALES AND MARKETING EXPERIENCE.

CTD does not anticipate having the resources in the foreseeable future to allocate to the sale and marketing of its proposed pharmaceutical and related products. The future success of CTD may depend, in part, on its ability to enter into and maintain contracts for such sales and marketing. CTD intends to pursue such collaborative arrangements; however, there can be no assurances that CTD will be able to establish or maintain such collaborative arrangements. If CTD decides not to, or is unable to, enter into such collaborative arrangements, it

will need to devote significant capital funds, management resources and time to build an in-house sales force that may or may not be effective to market its products.

FUTURE INABILITY TO OBTAIN RAW MATERIALS OR PRODUCTS FROM CONTRACT MANUFACTURERS COULD SERIOUSLY AFFECT CTD'S OPERATIONS.

CTD currently obtains raw materials and other products from single domestic or foreign suppliers. Although to date CTD has not experienced difficulty in obtaining these products, CTD cannot assure you that the supply will not be interrupted in the future or that it will not have to obtain substitute materials and products. Changes in CTD's raw material suppliers could result in delays in production, higher raw material costs, and loss of sales and customers because regulatory authorities must generally approve raw material sources for pharmaceutical products.

CTD LACKS MANUFACTURING EXPERIENCE AND WILL RELY ON THIRD-PARTY MANUFACTURERS. THIS COULD ADVERSELY AFFECT CTD'S ABILITY TO MEET CUSTOMERS DEMANDS.

CTD has no manufacturing capabilities. Accordingly, CTD will need to rely on third-party manufacturers of its products. CTD may not be able to identify any such manufacturers, and, even if it is able to do so, CTD may not be able to enter into manufacturing agreements on terms that are favorable to CTD, if at all. CTD will be required to rely on contract manufacturers for the foreseeable future to produce quantities of products and substances necessary for research and development, pre-clinical trials, human clinical trials and product commercialization. There can be no assurances that such products can be manufactured at a cost or in quantities necessary to make them commercially viable. There can be no assurance that third-party manufacturers will be able to meet CTD's needs with respect to timing, quantity and quality for the products. If CTD is unable to contract for a sufficient supply of required products and substances on acceptable terms, or if it should encounter delays or difficulties in its relationships with manufacturers, CTD's research and development, pre-clinical and clinical testing would be delayed, thereby delaying the submission of products for regulatory approval or the market introduction and subsequent sales of such products. Any such delays may have a material adverse effect on CTD's business, financial condition and results of operations. Moreover, contract manufacturers that CTD may use must adhere to current Good Manufacturing Practices regulations enforced by the FDA through its facilities inspection program. If the facilities of such manufacturers cannot pass a pre-approval plant inspection, the FDA pre-market approval of CTD's products will not be granted.

CTD DEPENDS ON OTHERS FOR CLINICAL DEVELOPMENT AND REGULATORY APPROVALS OF ITS PRODUCT CANDIDATES.

In order for CTD to successfully develop and commercialize its product candidates, it may need to enter into collaboration agreements with partners to help research and develop its product candidates

and to fund all or part of the costs thereof. CTD may not be able to enter into such collaboration agreements or the terms of the collaboration agreements may not be favorable to CTD. CTD's inability to enter into collaboration agreements could delay or preclude the development, manufacture and/or marketing of some of its product candidates or could significantly increase the costs of doing so.

In the future, CTD may grant to its collaborative partners, if any, rights to license and commercialize pharmaceutical and related products developed under these collaborative agreements and such rights would limit CTD's flexibility in considering alternatives for the commercialization of such products. Under such

agreements, CTD may rely on its collaborative partners to conduct research efforts and clinical trials on, obtain regulatory approvals for, and manufacture, market and commercialize certain of its product candidates. Although CTD believes that its collaborative partners will have an economic motivation to commercialize the pharmaceutical and related products which they may license, the amount and timing of resources devoted to these activities generally will be controlled by each such individual partner.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS IN THIS JOINT PROXY STATEMENT/PROSPECTUS

This joint proxy statement/prospectus contains forward-looking statements within the meanings of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, that address activities, events or developments that Endorex or CTD intends, expects, projects, believes or anticipates will or may occur in the future are forward looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as amended. Such statements are characterized by terminology including "believe," "hope," "may," "anticipate," "should," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy" and similar expressions. These statements are based on assumptions and assessments made by Endorex's or CTD's management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expectations. These risks and uncertainties are beyond Endorex's and CTD's control and, in many cases, neither can predict the risks and uncertainties that could cause Endorex's and CTD's actual results to differ materially from those indicated by the forward-looking statements. Endorex and CTD disclaim any duty to update any forward-looking statements.

ENDOREX ANNUAL MEETING

GENERAL

Endorex is furnishing this joint proxy statement/prospectus to holders of Endorex common stock and Series B preferred stock in connection with the solicitation of proxies by the Endorex board of directors for use at the annual meeting of stockholders of Endorex to be held on November 29, 2001, and any adjournment or postponement thereof.

This joint proxy statement/prospectus is first being furnished to Endorex stockholders on or about October 26, 2001.

DATE, TIME AND PLACE

The annual meeting will be held on November 29, 2001 at 10:00 a.m., central standard time, at 28101 Ballard Drive, Suite F, Lake Forest, Illinois.

MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

At the annual meeting and any adjournment or postponement of the annual meeting, Endorex stockholders will be asked to consider and vote upon the following proposals:

- to issue shares of Endorex common stock, options and warrants pursuant to the merger agreement, under which CTD will become a wholly owned

subsidiary of Endorex;

- to amend Endorex's Amended and Restated Certificate of Incorporation changing Endorex's name to DOR BioPharma, Inc.;

- to elect six directors to serve until the next annual meeting of the stockholders of Endorex or until their successors are duly elected and qualified;

- to approve an amendment of the 1995 Plan to (i) increase the number of shares of common stock issuable under the 1995 Plan by an additional 2,165,664 shares, (ii) implement a maximum annual limit of 500,000 shares of common stock by which the share reserve may increase annually over the term of the 1995 Plan under the automatic share increase provision and (iii) modify the automatic option grant program to (a) increase the initial option grants to newly-elected board members to 50,000 shares vesting immediately and (b) provide for annual option grants to continuing board members for 10,000 shares vesting over one year;

- to approve February 21, 2001 option grants to each non-employee member of the Endorex board of directors to purchase 50,000 shares of Endorex common stock;

- to ratify the appointment of Ernst & Young LLP as Endorex's independent auditors for the fiscal year ending December 31, 2001; and

- to transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

OTHER MATTERS

Endorex knows of no other matters that will be presented for consideration at the annual meeting. If any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the board of directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed proxy.

RECORD DATE

Endorex's board has fixed the close of business on October 23, 2001, as the record date for determining the Endorex stockholders entitled to notice of and to vote at the annual meeting.

VOTING OF PROXIES

Endorex requests that its stockholders complete, date and sign the enclosed proxy card and promptly mail it to Endorex in the postage-paid envelope provided. Brokers holding shares in "street name" may vote the shares only if the stockholder provides instructions on how to vote. Brokers will provide directions on how to instruct the broker to vote the shares. All properly executed proxies that Endorex receives prior to the vote at the annual meeting and that are not revoked will be voted in accordance with the instructions indicated on the proxy cards or, if no direction is indicated, to approve proposals described above.

Stockholders may in the following manner revoke their proxies at any time prior to their use:

- by delivering to the secretary of Endorex a signed notice of revocation or

a later-dated signed proxy card; or

- by attending the annual meeting and voting in person.

Attendance at the annual meeting does not in itself serve to revoke a proxy.

VOTES REQUIRED

As of the close of business on October 15, 2001, there were 12,741,858 shares of Endorex common stock and 100,410 shares of Series B preferred stock outstanding and entitled to vote. The affirmative vote of the holders of a majority of the shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis, that are entitled to vote and are present or represented by proxy at the Endorex meeting is required to approve the proposals described above, except (a) the election of directors which requires a plurality of the votes cast and (b) the amendment to the Amended and Restated Certificate of Incorporation which requires the approval of the holders of a majority of the outstanding shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis. Endorex stockholders are entitled to one vote per share of Endorex common stock and approximately 13.55 votes per share of Endorex Series B preferred stock owned on October 23, 2001, the record date.

As of October 15, 2001, directors and executive officers of Endorex and their affiliates beneficially owned an aggregate of 1,707,686 shares of Endorex common stock and 100,410 shares of Endorex Series B preferred stock (exclusive of any shares issuable upon the exercise of options) representing approximately 13.4% of the outstanding Endorex common stock and 100% of the outstanding Endorex Series B preferred stock on such date. The directors and executive officers of Endorex have indicated their intention to vote their shares of Endorex common stock in favor of the issuance of shares of Endorex common stock, options and warrants pursuant to the merger agreement.

QUORUM; ABSTENTIONS AND BROKER NON-VOTES

The required quorum for the transaction of business at the annual meeting is holders, present or by proxy, of a majority of the shares of Endorex common stock and Series B preferred stock, on an as converted basis, issued and outstanding on the record date. If you hold your shares of Endorex common stock through a broker, bank or other nominee, generally the nominee may only vote your Endorex common stock in accordance with your instructions. However, if your broker or nominee has not timely received your instructions, the nominee may vote on matters for which it has discretionary voting authority. Brokers generally will not have discretionary authority to vote on the proposal to

approve the issuance of Endorex common stock, options and warrants in connection with the Merger. If a broker cannot vote certain shares for or against a given proposal because it does not have discretionary voting authority, this is a "broker non-vote" for that proposal. Brokers holding shares for beneficial owners cannot vote on the actions proposed in this joint proxy statement/prospectus without the owners' specific instructions. Abstentions and broker non-votes will be included in determining the number of shares present at the meeting for purposes of determining whether a quorum exists. Broker non-votes will not be included in vote totals and will have no effect on the outcome of the votes on the proposals. Abstentions, however, will have the same effect as a vote against the proposals.

SOLICITATION OF PROXIES; PROXY SOLICITATION EXPENSES

Endorex has retained the services of D.F. King & Company to assist it in

soliciting of proxies from Endorex stockholders. Endorex does not expect to pay more than $9,000, plus reasonable out-of-pocket expenses, for such services. Endorex and CTD will each bear their own expenses in connection with soliciting proxies for their respective meetings of stockholders, except that each will pay one-half of all filing fees incurred in connection with the registration statement and this joint proxy statement/prospectus.

In addition to solicitation by mail, the directors, officers and employees of Endorex may solicit proxies from Endorex stockholders by telephone, facsimile or in person. Endorex will ask brokerage houses, nominees, fiduciaries and other custodians to forward soliciting materials to beneficial owners and will reimburse them for their reasonable expenses incurred in sending proxy materials to beneficial owners.

BOARD RECOMMENDATIONS

Endorex's board of directors has determined that the proposed merger and the issuance of shares of Endorex common stock, options and warrants are fair to and in the best interests of Endorex and Endorex's stockholders, and recommends that you vote to approve such issuance of Endorex common stock, options and warrants in connection with the proposed merger. Endorex's board of directors has also determined that the other proposals are in the best interests of Endorex and Endorex's stockholders and recommends that you vote in favor of such proposals.

The matters to be considered at the annual meeting are of great importance to Endorex stockholders. Accordingly, Endorex stockholders are urged to read and carefully consider the information presented in this joint proxy statement/prospectus, and to complete, date, sign and promptly return the enclosed proxy card in the enclosed postage-paid envelope.

Endorex stockholders should NOT send any stock certificates with their proxy cards.

CTD SPECIAL MEETING

GENERAL

CTD is furnishing this joint proxy statement/prospectus to holders of CTD common stock and Series A preferred stock in connection with the solicitation of proxies by the CTD board of directors for use at the special meeting of stockholders of CTD to be held on November 29, 2001, and any adjournment or postponement thereof.

This joint proxy statement/prospectus is first being furnished to stockholders of CTD on or about October 26, 2001.

DATE, TIME AND PLACE

The special meeting will be held on November 29, 2001 at 10:00 a.m., local time, at CTD's offices at 1680 Michigan Avenue, Suite 700, Miami, Florida 33139.

MATTERS TO BE CONSIDERED AT THE SPECIAL MEETING

At the CTD special meeting and any adjournment or postponement of the special meeting, CTD stockholders will be asked:

- to approve the merger and the merger agreement; and
- to transact such other business as may properly come before the special meeting.

OTHER MATTERS

CTD knows of no other matters that will be presented for consideration at the special meeting. If any other matters properly come before the special meeting, the persons named in the enclosed form of proxy intend to vote the shares they represent as the board of directors may recommend. By signing and returning the enclosed proxy card, you are granting discretionary authority with respect to such other matters.

RECORD DATE

CTD's board has fixed the close of business on November 19, 2001, as the record date for determining CTD stockholders entitled to notice of and to vote at the special meeting.

VOTING OF PROXIES

CTD requests that stockholders of CTD complete, date and sign the enclosed proxy card and promptly mail it to CTD in the postage-paid envelope provided. All properly executed proxies that CTD receives prior to the vote at the special meeting, and that are not revoked will be voted in accordance with the instructions indicated on the proxy cards or, if no direction is indicated, to approve the merger and the merger agreement.

Stockholders may in the following manner revoke their proxies at any time prior to their use:

- by delivering to the secretary of CTD a signed notice of revocation or a later-dated signed proxy card; or

- by attending the annual meeting and voting in person.

Attendance at the special meeting does not in itself serve to revoke a proxy.

VOTES REQUIRED

As of the close of business on October 15, 2001, there were 5,000,000 shares of CTD common stock and 7,628,750 shares of Series A preferred stock outstanding and entitled to vote. The affirmative vote of the holders of a majority of the outstanding shares of CTD common stock, voting together with the holders of Series A preferred stock, on an as converted basis is required to approve the merger and the merger agreement. CTD stockholders are entitled to one vote per share of CTD common stock and one vote per share of CTD Series A preferred stock owned on November 19, 2001.

As of October 15, 2001, directors and executive officers of CTD and their affiliates beneficially owned an aggregate of 2,872,453 shares of CTD common stock (exclusive of any shares issuable upon the exercise of options) and 1,000,000 shares of CTD Series A preferred stock, representing approximately 39.7% of the shares of CTD common stock and approximately 13.1% of the shares of CTD Series A preferred stock outstanding on such date. The directors and executive officers of CTD have indicated their intention to vote their shares of CTD common stock in favor of the merger and the merger agreement. Pursuant to a voting agreement in the form attached as Appendix II hereto, certain CTD stockholders, including CTD's directors, executive officers and their affiliates, owning beneficially approximately 63% and 61% of CTD's common stock and Series A preferred stock, respectively, outstanding as of October 15, 2001 have agreed to vote all of their shares of CTD capital stock for approval of the

merger and the merger agreement.

QUORUM

The required quorum for the transaction of business at the special meeting is holders, present or by proxy, of a majority of the issued and outstanding shares of CTD common stock and Series A preferred stock, on an as converted basis, issued and outstanding on the record date.

SOLICITATION OF PROXIES; PROXY SOLICITATION EXPENSES

CTD will bear its own expenses in connection with the solicitation of proxies for its special meeting of stockholders, except that Endorex and CTD each will pay one-half of all filing fees incurred in connection with the registration statement and this joint proxy statement/prospectus.

In addition to solicitation by mail, the directors, officers and employees of CTD may solicit proxies from stockholders by telephone, facsimile or in person.

BOARD RECOMMENDATIONS

The CTD board has determined that the merger and the merger agreement are in the best interests of CTD and its stockholders. Accordingly, the board has approved, and recommends that stockholders vote to approve the merger and the merger agreement. In considering this recommendation, CTD stockholders should be aware that some CTD directors and officers have interests in the merger that are different from, or in addition to, those of CTD stockholders, and that Endorex has agreed to provide certain indemnification arrangements to some directors and officers of CTD. See "The Merger--Interests of Certain Persons in the Merger and Potential Conflicts of Interest."

The matters to be considered at the special meeting are of great importance to CTD stockholders. Accordingly, CTD stockholders are urged to read and carefully consider the information presented in this joint proxy statement/prospectus, and to complete, date, sign and promptly return the enclosed proxy card in the enclosed postage-paid envelope.

CTD's stockholders should NOT send any stock certificates with their proxy cards. A transmittal form with instructions for the surrender of CTD stock certificates will be mailed to CTD stockholders promptly once the merger has been completed.

THE MERGER

THIS SECTION OF THE JOINT PROXY STATEMENT/PROSPECTUS DESCRIBES MATERIAL ASPECTS OF THE PROPOSED MERGER, INCLUDING THE MERGER AGREEMENT, WHICH IS ATTACHED AS APPENDIX I HERETO AND INCORPORATED BY REFERENCE HEREIN. WHILE WE BELIEVE THAT THIS DESCRIPTION COVERS THE MATERIAL TERMS OF THE MERGER AND THE RELATED TRANSACTIONS, THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO ENDOREX STOCKHOLDERS AND CTD STOCKHOLDERS. FOR A MORE COMPLETE UNDERSTANDING OF THE MERGER, STOCKHOLDERS SHOULD READ CAREFULLY AND IN THEIR ENTIRETY THE MERGER AGREEMENT AND THE OTHER DOCUMENTS WE REFER TO.

GENERAL

Endorex's and CTD's respective boards of directors are using this joint proxy statement/prospectus to solicit proxies from the holders of Endorex's and CTD's respective capital stock for use at the Endorex annual meeting and the CTD special meeting. At Endorex's annual meeting, holders of Endorex capital stock

will be asked to vote upon approval and adoption of the issuance of Endorex common stock, options and warrants pursuant to the terms of the merger agreement. At CTD's special meeting, holders of CTD capital stock will be asked to vote upon approval of the merger and the merger agreement.

BACKGROUND OF THE MERGER

At the end of 1999, Endorex began concentrating its efforts on developing its drug delivery business. In a presentation to the Endorex board of directors in February 2000, Michael Rosen, President and Chief Executive Officer of Endorex, proposed that Endorex acquire technology or companies within the field of drug delivery. Endorex's management and board believed Endorex should seek to increase financial resources, product portfolio (particularly products in clinical trials), and scientific resources. The board approved management's recommendation that the Endorex management team identify potential acquisition candidates. Dr. Kenneth Tempero, Chairman of the Endorex board of directors, and Mr. Rosen contacted and visited drug delivery companies to explore both potential interest in an acquisition and synergies with Endorex. In addition, Steve H. Kanzer, a director of Endorex and an officer and director of CTD, provided non-confidential information regarding CTD to Endorex for review. Additionally, during the fourth quarter of 2000, Peter Kash and Martin Kratchman, each a security holder of both Endorex and CTD and an employee of Paramount Capital, Inc., an investment bank that is an affiliate of significant stockholders of both Endorex and CTD, suggested that Mr. Rosen and Mr. Kanzer explore a potential transaction between Endorex and CTD. CTD was interested in exploring such a transaction as a means of providing it investors with liquidity, while Endorex was interested in obtaining CTD's financial resources and product portfolio.

On October 18, 2000, Endorex and CTD executed a mutual confidentiality and non-disclosure agreement and CTD provided Endorex with a package of confidential information explaining CTD's product portfolio, capital structure and financial situation. Mr. Kanzer and Mr. Rosen also spoke by telephone to arrange a meeting at O'Hare Airport in Chicago, Illinois to explore further merger possibilities.

On October 23, 2000, a meeting was held at O'Hare Airport with Mr. Rosen, Mr. Frank Reid, former Vice President, Finance and Corporate Development of Endorex, Dr. Colin Bier, Chairman of the board of directors of CTD, Mr. Kanzer and Mr. Nicholas Stergiopoulos, Director of Corporate Development of CTD, in attendance. The parties discussed various issues, including the potential synergies of a business combination. At the end of the meeting, the parties indicated that they were interested in pursuing further discussions and initiating further due diligence.

On October 30, 2000, Mr. Kanzer sent to Mr. Rosen a proposal that Endorex acquire CTD. This proposal was accompanied by an initial term sheet and outline of a proposed merger structure,

including a proposed valuation of CTD. Mr. Rosen responded by telephone that he would review the proposal with the Endorex board of directors.

On November 9, 2000, at an Endorex board meeting, Mr. Rosen and Mr. Reid presented the CTD proposal as well as details of discussions with other potential acquisition candidates. The board established a Strategy and Mergers and Acquisition Committee, or M&A Committee, consisting of Dr. Tempero, Dr. Paul Rubin and Mr. Richard Dunning, to work with Mr. Rosen and Endorex management on potential acquisition opportunities.

On November 29, 2000, Dr. Bier and Mr. Stergiopoulos visited Endorex's headquarters in Lake Forest, Illinois and met with Mr. Rosen, Dr. Tempero,

Mr. Robert Brey, former Vice President of Research and Development of Endorex, and Mr. Reid. Both parties discussed development of their respective products and technologies, and the status of collaborations with corporate partners and scientific and commercial institutions. The parties also discussed the potential synergies of combining the companies and reviewed the terms of CTD's merger proposal. Both parties expressed interest in continuing their merger discussions.

During December 2000, a number of telephone conversations occurred among Dr. Tempero, Mr. Rosen, Dr. Bier and Mr. Kanzer regarding the potential synergies of combining Endorex and CTD, as well as how to structure any merger.

On December 6, 2000, a telephone conference was held among Dr. Tempero, Mr. Rosen, Mr. Kanzer, representatives of Brobeck Phleger & Harrison LLP, or Brobeck, legal counsel for Endorex, and a representative of Kramer Levin Naftalis & Frankel LLP, or Kramer Levin, legal counsel for CTD, regarding the potential structure of a merger transaction between Endorex and CTD.

On December 18, 2000, another telephone conference was held with Dr. Tempero, Mr. Rosen, Mr. Kanzer, Dr. Bier, representatives of Brobeck and representatives of Kramer Levin participating. The discussion again was regarding the potential structure of a merger transaction between Endorex and CTD and related AMEX and SEC requirements.

On December 26, 2000, Mr. Rosen sent to Mr. Kanzer a counterproposal to Mr. Kanzer's October 30, 2000 acquisition proposal.

On December 29, 2000, a telephone conference was held among Dr. Bier, Mr. Kanzer, Dr. Tempero and Mr. Rosen in which Mr. Rosen outlined the rationale for his acquisition proposal. Although issues remained open regarding the terms of an acquisition, both parties indicated interest in pursing discussions regarding a business combination and a two-day meeting was scheduled for January 8-9, 2001 in Miami, Florida, to negotiate a term sheet for the transaction.

On January 3, 2001, a telephonic meeting of Endorex's M&A Committee was held. Mr. Rosen summarized conversations with CTD since the board meeting held on November 9, 2000, including the discussions that occurred during the visit to Endorex by CTD management and the telephone conference among the parties on December 29, 2000.

On January 8-9, 2001, Dr. Tempero, Mr. Rosen, Dr. Bier, Mr. Kanzer and Mr. Stergiopoulos met in Miami, Florida, to negotiate a term sheet for the transaction. At the meeting, the major terms of a potential transaction were agreed upon. The parties also agreed that Mr. Rosen would have Brobeck draft a letter of intent and term sheet for review by the parties.

From January 9, 2001, until execution of the letter of intent regarding the merger on February 27, 2001, numerous telephone conversations were held among Dr. Tempero, Mr. Rosen, Dr. Bier, Mr. Stergiopoulos and representatives of each of Brobeck and Kramer Levin to negotiate the letter of intent and term sheet, request due diligence materials and discuss due diligence materials and issues with respect to both Endorex and CTD.

On January 16, 2001, a telephonic meeting of the M&A Committee was held during which Mr. Rosen summarized the interim discussions with CTD, including the meeting in Miami, Florida and the potential terms of the transaction.

On January 29, 2001, a telephonic meeting of the M&A Committee was held and was attended by Mr. Dunning and Dr. Tempero. Also present by invitation were

Mr. Rosen and Mr. Darren Hensley of Brobeck. Mr. Rosen briefed the committee on discussions that had occurred between Endorex and CTD since January 16, 2001. The M&A Committee discussed a two-step process proposed by CTD to consummate the merger as compared to a conventional merger structure. The M&A Committee determined that while the two-step process had elements that could be considered attractive, it also entailed several potential drawbacks for Endorex. The M&A Committee also discussed certain due diligence issues regarding CTD.

On February 13, 2001, the M&A Committee members met with Dr. Bier in a conference room at Logan Airport in Boston, Massachusetts. The purpose of the meeting was to allow the members of the M&A Committee to meet and interview Dr. Bier, as the M&A Committee contemplated that it might be appropriate to appoint Dr. Bier Chairman and Chief Executive Officer of Endorex subsequent to a merger. After introductions and a brief discussion of Dr. Bier's background and experience, a discussion ensued regarding management philosophy, vision for the combined companies, strategies for attaining goals, the priorities for the combined companies, investor relations, public relations, capital structure, capital needs, and the like. Dr. Bier's compensation requirements were also discussed.

On February 21, 2001, at Endorex's quarterly board of directors meeting, Mr. Rosen provided the board with a draft of the letter of intent and term sheet for the merger transaction that had been negotiated with CTD. The board approved the letter of intent and term sheet and authorized Endorex management to execute the letter of intent with CTD. Subsequent to the meeting, Mr. Rosen telephoned Dr. Bier to inform him of the board's approval of the letter of intent and term sheet.

On February 26, 2001, a telephonic meeting of CTD's board of directors was held to discuss the letter of intent and term sheet. Present by invitation were Mr. Stergiopoulos as well as Kenneth A. Adams of Kramer Levin. The board of directors voted to approve the letter of intent and term sheet. Mr. Kanzer abstained from voting.

On February 27, 2001, Endorex and CTD executed a letter of intent with an attached term sheet outlining the terms of the proposed acquisition of CTD by Endorex pursuant to a merger transaction.

From the execution of the letter of intent on February 27, 2001, until execution of the agreement and plan of merger and reorganization on July 31, 2001, numerous telephone conversations were held among Dr. Tempero, Mr. Rosen, Dr. Bier, Mr. Stergiopoulos and representatives of each of Brobeck and Kramer Levin to negotiate the terms of the merger agreement and related agreements, request due diligence materials and discuss due diligence materials and issues with respect to both Endorex and CTD.

On March 9, 2001, Dr. Brey received from Mr. Stergiopoulos a partial set of FDA submissions related to clinical development programs for orBec-TM- and Oraprine-TM-. Endorex also requested additional documents regarding manufacturing and formulation data on the new formulations of orBec-TM-.

On March 11, 2001, after contacting several investment banks, Endorex executed an engagement letter with Wells Fargo Van Kasper, or WFVK, pursuant to which WFVK would provide the Endorex board of directors with a fairness opinion with respect to the fairness of the terms of the merger transaction to the stockholders of Endorex from a financial point of view.

On April 9, 2001, a telephonic M&A Committee meeting occurred during which Mr. Rosen provided an update regarding the status of negotiations with CTD regarding the transaction. A

discussion ensued regarding the open issues and what positions Endorex should take. Mr. Rosen reviewed with the M&A Committee target dates for moving the transaction to completion.

On April 17, 2001, Mr. Steve Nelson of WFVK visited Endorex's offices to meet with Mr. Koulogeorge, Mr. Rosen and Dr. Brey for purposes of a due diligence review of Endorex related to the WFVK fairness opinion.

On April 20, 2001, a telephone conference occurred pursuant to which Dr. Hal Gerber of WFVK conducted a due diligence review of CTD with Dr. Peter Hoyle and Dr. Paul Waymack, CTD regulatory and clinical consultants, and Dr. Bier and Mr. Stergiopoulos.

On May 1, 2001, there took place a joint telephonic meeting of the Endorex board of directors Executive Committee and M&A Committee. Mr. Hensley of Brobeck was present by invitation for a portion of the meeting. Mr. Rosen recapped the history of the negotiations, summarized the proposed changes from the letter of intent, explained the rationale for each of the deviations and analyzed their potential impact upon the transaction. He then proceeded to itemize the open issues, explaining their background and solicited input and guidance from the committees. Dr. Tempero summarized the feedback received from Dr. Bier regarding one of the open issues, the terms of his employment agreement, and also solicited input and guidance from the committees with respect thereto.

On May 10, 2001, a telephonic M&A Committee meeting occurred. Mr. Rosen summarized the status of CTD negotiations since the last M&A Committee meeting and informed the committee of recent comments from CTD on the transaction documents that raised a number of new issues. The M&A Committee discussed the items in detail and provided guidance to Mr. Rosen with respect thereto.

On May 28, 2001, CTD and Endorex executed an amendment to the letter of intent extending the exclusivity period to June 25, 2001.

On June 14, 2001, a telephonic meeting of the M&A Committee occurred. The purpose of the meeting was for Mr. Rosen to provide a status report of the negotiations with CTD, to summarize the status of scientific work underway within both companies, and to summarize remaining open items with respect to the transaction negotiations. The M&A Committee determined that the exclusivity period should not be extended upon its current expiration and that Endorex would then be free to explore other acquisition candidates.

On June 15, 2001, Mr. Rosen sent a letter to Dr. Bier reminding CTD of the impending expiration of the exclusivity period and indicating that Endorex would not agree to extend the exclusivity period in the letter of intent and that it would discontinue all merger negotiations with CTD at that time. Additionally, Mr. Rosen placed a telephone call to Dr. Bier to advise him of the content of the letter and the concern of the Endorex board that the transaction negotiations were proceeding much too slowly.

On July 2, 2001, a telephonic meeting of CTD's board of directors was held to discuss the merger agreement. Present by invitation were Mr. Stergiopoulos as well as Mr. Adams of Kramer Levin. The principal topic of discussion was concerns expressed by certain CTD stockholders regarding treatment of the outstanding warrants to purchase shares of CTD Series A preferred stock. Also discussed were other aspects of the merger agreement as well as composition of Endorex's board of directors post-merger. The board did not approve the merger agreement, but instead agreed to hold another meeting after any uncertainties regarding treatment of the warrants had been resolved.

On July 2, 2001, a special telephonic meeting of the Endorex board of directors was held to approve the merger, the merger agreement and the

transactions contemplated thereby. Present by invitation were Mr. Koulogeorge; Dr. Gerber, Mr. Allan Auerbach and Mr. Nelson of WFVK; and Mr. Hensley and Mr. John Kim of Brobeck. Mr. Rosen presented an overview of the transaction

documents previously distributed to the board and the merger transaction. Mr. Kanzer posed questions about CTD's warrants and the request of one CTD stockholder that the terms upon which Endorex issues substitute warrants for them be changed. Mr. Kanzer indicated that the CTD board of directors had not approved the merger at a meeting earlier that day and had agreed to reschedule the meeting after resolution of the stockholder request. Due to this new information, the meeting was adjourned without approving the transaction.

On July 6, 2001, a telephonic meeting of CTD's board of directors was held to discuss the merger agreement, treatment of the warrants to purchase shares of Series A preferred stock, and when Endorex would announce the proposed merger to the public. Present by invitation were Mr. Stergiopoulos and Mr. Adams. The board of directors voted to approve the merger agreement and to submit the merger agreement to CTD's stockholders for their approval. Mr. Kanzer abstained from voting.

On July 13, 2001, a special telephonic meeting of the Endorex board of directors was held. Present by invitation were Mr. Koulogeorge, Mr. Nelson, Dr. Gerber, Mr. Auerbach, Mr. Kim and Mr. Hensley. Mr. Rosen discussed the background of the proposed merger and changes in the terms of the transaction that had occurred due to the concern raised by a CTD stockholder. Mr. Rosen informed the board that the CTD board had previously approved the merger agreement with the revisions requested by the stockholder. The representatives of WFVK presented their analysis and the background for their fairness opinion, as well as the assumptions, terms and limitations thereof. WFVK delivered its oral opinion, subsequently confirmed in writing, that the merger was fair to the stockholders of Endorex from a financial point of view. The board of directors subsequently voted to approve the merger, the merger agreement and the transactions contemplated thereby and to submit the transaction to Endorex's stockholders for approval. Mr. Kanzer abstained from the vote. Mr. Rosen then discussed the actions and items that need to be completed prior to or concurrently with the execution of the merger agreement and the time frame for completing these actions and items, as well as the execution of the merger agreement. Mr. Rosen also discussed other actions that will need to be taken subsequent to the execution of the merger agreement and the board discussed when to announce publicly the proposed merger.

On July 19, 2001, a draft of a press release announcing the merger was distributed to CTD for review. Also on July 19, 2001, Dr. Bier visited Endorex to meet with Mr. Rosen and Endorex's management team. Discussions covered what documents needed to be completed before the merger agreement could be signed, the press release announcing the execution of the merger agreement, the timetable for filing a Form S-4 registration statement with the SEC and the ensuing process, timing for stockholder meetings of each company, company integration activities, and presentations at financial meetings in the fall.

Between July 19, 2001 and July 31, 2001, numerous telephone conferences occurred between Mr. Rosen, Mr. Stergiopoulos, Dr. Bier and representatives of each of Brobeck and Kramer Levin negotiating the language of the press release and the Form 8-K to be filed with the SEC in connection with the issuance of the press release.

On July 31, 2001, Endorex, Roadrunner Acquisition, Inc., or Roadrunner, a wholly owned subsidiary of Endorex, and CTD executed the merger agreement and Endorex, Roadrunner, CTD and certain stockholders of CTD executed the voting agreement.

On August 1, 2001, Endorex and CTD issued a joint press release announcing the execution of the merger agreement and Endorex filed a Form 8-K and Rule 425 filing with the SEC regarding the press release.

On August 7, 2001, Endorex made a Rule 425 filing with the SEC regarding question and answer materials distributed to Endorex employees.

On September 5, 2001, pursuant to Rule 425, Endorex filed with the SEC slides used in connection with a presentation delivered by Mr. Rosen at the WFVK "The Class of 2001" conference in San Francisco, California.

On September 25, 2001, CTD filed with the SEC under Rule 425 a press release announcing that the FDA had recently granted Enteron Pharmaceuticals, Inc., a majority owned subsidiary of CTD, an "orphan drug" designation for the use of orBec-TM- to prevent graft-versus-host disease.

On October 9, 2001, Endorex filed with the SEC under Rule 425 a press release announcing that Endorex filed with the SEC the registration statement of which this joint proxy statement/prospectus is a part.

On October 24, 2001, Endorex expects to file with the SEC under Rule 425 slides to be used in connection with a presentation to be delivered by Mr. Rosen at the Chicago Biotech Network Association's "BioMarketplace 2001" conference in Chicago, Illinois.

STRUCTURE OF THE MERGER

Roadrunner, a wholly owned subsidiary of Endorex, will merge into CTD, and CTD will survive the merger and become a wholly owned subsidiary of Endorex. CTD stockholders will become stockholders of Endorex.

ENDOREX'S REASONS FOR THE MERGER AND RECOMMENDATION OF THE ENDOREX BOARD OF DIRECTORS

The Endorex board of directors, after careful consideration, has approved the merger, the merger agreement and the transactions contemplated thereby, including the proposed issuance of Endorex common stock, options and warrants in connection with the merger. The Endorex board believes that the merger is advisable and in the best interests of its stockholders and recommends that its stockholders vote "FOR" the proposed issuance of Endorex common stock and options and warrants to acquire Endorex common stock in connection with the merger.

The Endorex board of directors also considered and reviewed with the management of Endorex a wide variety of information, factors and reasons in connection with its evaluation of the merger and the merger agreement. In particular, Endorex's board of directors considered the following information, reasons and factors:

- that CTD had, as of June 30, 2001, no debt and approximately $5 million in cash, which CTD believes will be sufficient to fund development of orBec-TM- and Oraprine-TM- in the near term and to take orBec-TM-, its lead drug candidate in phase III clinical trials, through the FDA approval process;

- that the addition of CTD's drug product candidates will increase and broaden Endorex's product pipeline;

- that the merged companies may provide enhanced opportunities for new drug

product discoveries and commercial alliances;

- the likelihood the merger may benefit Endorex in its negotiations with potential collaborators, corporate partners, licensors and licensees;

- information concerning CTD's and Endorex's respective businesses, plans and operations, technology, management, competitive position, future business prospects, and historical and projected financial performance;

- the complementary nature of CTD's and Endorex's operations and strategy, in that they both focus on pre-approved compounds;

- the operational and administrative cost savings that would result from the merger with CTD;

- the amount of Endorex common stock and options and warrants exercisable for Endorex common stock to be issued to CTD's stockholders;

- the compatibility of CTD's and Endorex's management;

- the effect of the merger on Endorex's potential corporate partners and collaborators; and

- the terms of the merger agreement.

In reaching its conclusions, the board also considered the following:

- the results of management's analysis of the drug delivery and development industry generally;

- the written opinion of WFVK, independent financial advisors to the board, dated July 13, 2001, that, as of July 13, 2001, and based on the considerations set forth in the opinion, the exchange of shares of Endorex's common stock and options and warrants to acquire Endorex common stock for all of CTD's outstanding common stock, preferred stock, options and warrants is fair from a financial point of view to Endorex's stockholders;

- management's valuation of CTD at approximately 10 million shares of Endorex common stock (utilizing an Endorex common stock per share price of $1.50 as of January 9, 2001) after extensive arm's-length negotiations with CTD;

- that Endorex would remain a public entity after the merger was complete; and

- restrictions on Endorex's ability to acquire other entities prior to the closing of the merger and the provisions regarding the payment of a fee under certain circumstances upon termination of the merger agreement.

Endorex's board of directors also considered a variety of potential risks and detriments, including, but not limited to, the following:

- CTD's limited operating history;

- CTD's limited revenue and historical and projected losses from operations;

- the difficulties associated with merging the operations of each company including the distance between operational locations;

- the risk that the merger might not be consummated;

- the effect that announcing the merger would have on the price of Endorex's common stock;

- the time and costs incurred or associated with the merger; and

- other applicable risks described in this joint proxy statement/prospectus under "Risk Factors" starting on page 16.

The Endorex board of directors was made aware and discussed the interests of Steve H. Kanzer in CTD and the merger. Steve H. Kanzer abstained in the board's vote to approve the merger, the merger agreement and the transactions contemplated thereby. See "The Merger--Interests of Certain Persons in the Merger and Potential Conflicts of Interest."

Due to the many different factors and risks and the information considered in connection with its evaluation of the merger, Endorex's board did not find it practicable to quantify or otherwise assign relative weight or value to the specific factors that it considered in approving the merger, the merger agreement and the transactions contemplated thereby. Furthermore, individual Endorex board members may have viewed or valued factors considered by them differently from the other Endorex board members.

The foregoing discussion of the information, factors and risks considered by the Endorex board of directors is not meant to be exhaustive, but includes the principal factors considered by the board.

OPINION OF ENDOREX'S FINANCIAL ADVISOR

SELECTION OF INDEPENDENT FINANCIAL ADVISOR FOR FAIRNESS OPINION

Endorex's objectives in selecting an independent financial advisor to render a fairness opinion in connection with the merger were to:

- engage an independent financial advisor recognized as a leader in biotechnology transactions and with knowledge of the biotechnology industry;

- obtain the fairness opinion at a reasonable cost in relationship to the size and valuation of the transaction; and

- establish a relationship for future activities of Endorex.

Endorex contacted several independent financial advisors, including Gruntal, Adams Harkness & Hill, William Blair & Co., and WFVK, to discuss their interest in working with Endorex on the merger and in continuing to work with Endorex in the future for other investment banking activities. After discussion with personnel from the healthcare or lifescience divisions of each of these entities and receiving cost estimates for rendering of the fairness opinion, Endorex selected WFVK as its independent financial advisor in connection with the merger. Prior to this contact, Endorex had no banking or other relationship with WFVK or any of its affiliates during the last two years. An affiliate of WFVK, Wells Fargo Bank Minnesota, National Association, will serve as escrow agent under the terms of the escrow agreement to be executed at the closing of the merger.

OPINION OF WELLS FARGO VAN KASPER

On March 11, 2001, Endorex engaged WFVK to provide financial advisory

services to Endorex regarding Endorex's proposed business combination with CTD. On July 13, 2001, WFVK delivered its oral opinion to Endorex's board of directors, subsequently confirming that opinion with a written opinion dated July 13, 2001, as to the fairness to the stockholders of Endorex, from a financial point of view, of the merger consideration to be paid by Endorex in the merger.

WFVK's opinion is limited to the fairness of the merger consideration, from a financial point of view, to the stockholders of Endorex and does not address Endorex's underlying business decision to proceed with the merger. No limitations were imposed by the Endorex board on WFVK with respect to the investigations made or procedures followed by it in furnishing its opinion. The merger consideration was determined through negotiations between the respective managements of Endorex and CTD. WFVK did not assist Endorex in those negotiations and in the negotiations leading to an agreement on principal structural and terms of the agreement. In furnishing its opinion, WFVK was not engaged as an agent or fiduciary of Endorex's stockholders or any other third party.

THE FULL TEXT OF THE WRITTEN OPINION OF WFVK, WHICH SETS FORTH ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN IN CONNECTION WITH THE OPINION, IS ATTACHED AS APPENDIX III HERETO. THE SUMMARY CONTAINED HEREIN IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION. WE URGE THE STOCKHOLDERS OF ENDOREX TO CAREFULLY READ THE OPINION IN ITS ENTIRETY.

The WFVK opinion does not address the following:

- the relative merits of the merger and any other transactions;

- business strategies discussed by the Endorex board as alternatives to the merger; or

- the underlying business decision of the Endorex board to proceed with the merger process.

In connection with the preparation of its opinion, WFVK did, among other things, the following:

- reviewed the financial terms and conditions set forth in the form of the merger agreement provided to WFVK by Endorex, which was represented to WFVK to be the final version to be executed by both parties;

- reviewed certain financial information relating to CTD, including historical financial and operating statements and financial and operating projections prepared by the management of CTD;

- discussed with members of CTD's management CTD's historical and current business operations, financial conditions and prospects and other matters WFVK deemed relevant;

- discussed with members of Endorex's management Endorex's historical and current business operations, financial conditions and prospects and other matters WFVK deemed relevant;

- reviewed operating results, trading multiples, research reports and consensus revenues and earnings estimates reported by I/B/E/S International, Inc., a third party financial information service company that provided to WFVK such information for selected publicly traded companies that WFVK deemed comparable to CTD;

- compared the financial terms of the merger with the financial terms, to the extent publicly available, of other business combinations that WFVK deemed relevant;

- reviewed the stock price and trading history of Endorex common stock; and

- made other studies, inquiries and analyses and reviewed other data as WFVK deemed relevant and appropriate, based on WFVK's judgement as investment bankers, for the purpose of the opinion.

In the course of WFVK's review, the assumption was made, with Endorex's permission, that the documents prepared to be used and signed by the parties to formally effect the merger, including any disclosure material to be delivered to the stockholders of Endorex to elicit the necessary consents to the merger, will effect the merger on the terms set forth in the proposed form of the merger agreement provided to WFVK by Endorex, without material alteration.

WFVK did not negotiate the terms of the merger or provide any legal advice with respect to the merger. WFVK did not make or provide an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of CTD or Endorex nor did WFVK make a physical inspection of any of the properties or assets of CTD or Endorex.

In rendering its opinion, WFVK relied, without independent verification, on the accuracy and completeness of all of the financial and other information that was publicly available or furnished or otherwise communicated to WFVK by Endorex and CTD and relied upon and assumed without independent verification that there had been no material change in the assets, financial condition and business prospects of CTD or Endorex since the date that the most recent financial statements were made available to WFVK.

With respect to financial projections provided to WFVK by CTD management, WFVK reviewed the projections and was advised by certain members of Endorex and CTD management, and has relied upon and assumed without independent verification, that the projections:

- were reasonably prepared;

- are based upon assumptions reflecting the best currently available estimates and good faith judgments of CTD management as to the future performance of CTD as an independent company; and

- are believed to be realizable in the amounts and time periods contemplated thereby.

Each of the management of Endorex and CTD has also advised WFVK that they do not currently have any information or beliefs that would make the projections incomplete or misleading. With respect to projections of companies deemed comparable to CTD by WFVK, WFVK used only projections, published in recent research analysts' reports, reviewed those projections, and in all instances used a median of the projected numbers.

The opinion is based upon analyses of the foregoing factors in light of WFVK's assessment of general economic, financial and market conditions as they exist and as they can be evaluated by WFVK as of the date of the opinion and on information made available to WFVK as of the date of the opinion. Although events occurring after the date of the opinion could materially affect the assumptions relied upon in preparing the opinion, WFVK does not have any obligation to update, revise or reaffirm its opinion unless requested by Endorex

upon payment of an additional fee.

The opinion is for the benefit and use of the board of directors of Endorex in its consideration of the merger and is not a recommendation to any stockholder as to how such stockholder should vote with respect to the merger. Further, the opinion addresses only the financial fairness of the merger consideration to be paid by Endorex and does not address any other aspect of the merger.

SUMMARY OF METHODS UTILIZED

Set forth below is a summary of the material financial analyses performed by WFVK in connection with the delivery of its written opinion stating that the merger consideration, as of July 13, 2001, was fair to the stockholders of Endorex, from a financial point of view. The summary of the financial analyses is not a complete description of all of the analyses performed by WFVK. Some of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. WFVK performed several procedures, including each of the financial analyses described below, and reviewed with CTD and Endorex management the assumptions on which its analyses were based and other factors, including CTD's historical and projected financial results. No limitations were imposed by Endorex with respect to the investigations made or procedures followed by WFVK in rendering its opinion.

ANALYSIS OF ENDOREX STOCK TRADING HISTORY

To provide contextual data and comparative market data, WFVK reviewed the historical market prices of Endorex common stock for the 90 days preceding the date of the WFVK opinion. WFVK noted that over the indicated period from April 11, 2001 to July 12, 2001, Endorex's common stock sold for a high of $1.20 per share, a low of $.75 per share, and had an average sale price at the close of market trading of $.96 per share. The implied merger consideration, based on a maximum of ten million shares of Endorex common stock to be issued as defined in the merger agreement multiplied by the average closing sale price as indicated above, was calculated by WFVK to be approximately $9.6 million.

DISCOUNTED CASH FLOWS ANALYSIS

WFVK estimated ranges of equity values for CTD based upon the discounted present value of CTD's projected after-tax cash flows and the discounted present value of CTD's terminal value at December 31, 2009, calculated using a perpetual growth rate methodology, based on:

- CTD's forecasts, and

- CTD's forecasts, assuming the generation of revenues solely through licensing of technology to a third party in exchange for royalty payments of 15% of the product revenues set forth in CTD's forecasts.

The purpose of the discounted cash flow analysis is to compare the consideration paid in the merger to the present value of after-tax cash flows implied by CTD's forecasts. WFVK applied the discounted cash flow methodology to CTD's forecasts because CTD is a development stage company and the majority of its value is derived from the sale of its products in the future. After-tax cash flow was calculated by taking projected earnings before interest and taxes and

subtracting from this amount projected taxes, changes in working capital and changes in other assets and liabilities and adding back projected depreciation and amortization. This analysis was based upon assumptions described by, projections supplied by, and discussions held with CTD and Endorex management. For each scenario, a range of equity values was generated utilizing discount rates ranging from 25% to 35%. In calculating the terminal value, WFVK utilized a perpetual growth rate of zero, which was arrived at through discussions with CTD and Endorex management regarding the life cycles of CTD's products.

Utilizing this methodology, the equity value ranged from (in $ millions):

	LOW	HIGH
Based on CTD's forecasts	$12.1	$15.5
Based on CTD's forecasts, as adjusted by estimated royalty payments as set forth above	$15.2	$22.1

COMPARABLE COMPANIES ANALYSIS

WFVK analyzed, among other things, certain trading multiples of the following publicly traded companies in the specialty pharmaceutical industry, or the Comparable Companies, that WFVK deemed comparable:

- Questcor Pharmaceuticals, Inc.

- Cellegy Pharmaceuticals, Inc.

- Inkine Pharmaceuticals, Inc.

- SangStat Medical Corporation

WFVK analyzed the trading multiples of enterprise value-to-projected net revenues of the Comparable Companies for calendar years 2001 and 2002. All trading multiples were based on closing sale prices on July 12, 2001. WFVK determined the median enterprise value-to-projected net revenue multiple of the Comparable Companies, for the calendar year 2002, to be 2.64 and applied this multiple to CTD's projected 2009 revenues, based on:

- CTD's forecasts, and

- CTD's forecasts, assuming the generation of revenues solely through licensing of technology to a third party in exchange for royalty payments of 15% of the product revenues set forth in CTD's forecasts.

For each scenario, a range of equity values were generated by discounting the resulting values to 2002 utilizing discount rates ranging from 25% to 35%. WFVK applied the discount rate to CTD's forecasts because CTD is a development stage company and the majority of its value is derived from the sale of its products in the future.

Utilizing this methodology, the equity value ranged from (in $ millions):

	LOW	HIGH

Based on CTD's forecasts	$33.4	$42.3
Based on CTD's forecasts, as adjusted by estimated royalty payments as set forth above	$11.2	$13.5

PRECEDENT TRANSACTIONS ANALYSIS

WFVK analyzed the aggregate transaction values and implied transaction-value multiples paid in selected merger or acquisition transactions in the specialty pharmaceutical industry. WFVK compared, among other things, the aggregate transaction value in each of these transactions as a multiple of the latest twelve month's revenues and earnings before interest, taxes, depreciation and amortization (EBITDA), prior to the transaction.

Based on this analysis, WFVK applied the revenue multiple of 5.64, which approximates the median revenue multiple, to CTD's projected 2009 revenues, based on:

- CTD's forecasts, and

- CTD's forecasts, assuming the generation of revenues solely through licensing of technology to a third party in exchange for royalty payments of 15% of the product revenues set forth in CTD's forecasts.

For each scenario, a range of equity values were generated by discounting the resulting values utilizing discount rates ranging from 25% to 35%. WFVK applied the discount rate to CTD's forecasts because CTD is a development stage company and the majority of its value is derived from the sale of its products in the future.

Utilizing this methodology, the equity value ranged from (in $ millions):

	LOW	HIGH
Based on CTD's forecasts	$46.6	$62.2
Based on CTD's forecasts, as adjusted by estimated royalty payments as set forth above	$14.8	$19.0

WFVK performed this analysis to compare the consideration offered in this merger to transactions in the public market. These transactions were selected because they involve companies in a comparable industry, specialty pharmaceuticals. No company used or transaction compared in the above comparable company or precedent transaction analysis is identical to CTD or the combined company. Accordingly, an analysis of the results of the foregoing is not purely mathematical; rather it involves complex considerations and judgments as to the financial and operating characteristics of the companies and other factors that could affect the value of the companies to which CTD is being compared.

While the foregoing summary describes certain analyses and factors that WFVK deemed material in its presentation to the Endorex board, it is not a comprehensive description of all analyses and factors considered by WFVK.

The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of these

methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. WFVK believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, would create an incomplete view of the evaluation process underlying the WFVK opinion. Several analytical methodologies were employed and no one method of analyses should be regarded as critical to the overall conclusion reached by WFVK. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The conclusions reached by WFVK are based on all analyses and factors taken as a whole and also on application of WFVK's own experience and judgment. Such conclusions may involve significant elements of subjective judgment and qualitative analyses. WFVK therefore gives no opinion as to the value or merit standing alone of any one or more parts of the analyses it performed.

In performing its analyses, WFVK considered, and made numerous assumptions with respect to industry performance, general business and economic conditions, market and financial conditions and other matters in addition to the assumptions described above. The analyses performed by WFVK are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. Accordingly, analyses relating to the value of a business do not purport to be appraisals or to reflect the prices at which the business actually may be purchased. Furthermore, no opinion is being expressed as to the prices at which shares of Endorex or CTD common stock may be traded at any future time.

WFVK is a nationally recognized investment banking firm. As part of its investment banking business, WFVK is frequently engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of securities, private placements and other purposes.

WFVK has received a fee for the rendering of the fairness opinion. In addition, Endorex has agreed to reimburse WFVK for its reasonable out of pocket expenses incurred in connection with the transaction and to indemnify WFVK and its affiliates against certain liabilities, including liabilities arising under applicable securities laws and its legal expenses in connection with any litigation relating to the transaction.

CTD'S REASONS FOR THE MERGER AND RECOMMENDATION OF THE CTD BOARD OF DIRECTORS

After careful consideration, CTD's board of directors has determined that the terms of the merger and the merger agreement are in the best interests of CTD and its stockholders. As a result, CTD's board has approved the merger and the merger agreement and recommends that CTD stockholders vote "FOR" approval of the merger and the merger agreement.

CTD's board of directors reviewed a wide variety of information and considered a number of factors in connection with its evaluation of the merger and the merger agreement, and determined that the proposed merger provides an opportunity that serves the best interests of CTD and its stockholders. In particular, CTD's board of directors considered, among other things:

- the likelihood that by providing CTD with greater financial security and leverage, the merger may benefit CTD in its negotiations with potential collaborators or other licensees, enabling CTD to achieve improved financial terms;

- the existence of a public market for the Endorex common stock to be received by CTD's stockholders in the merger in place of their CTD capital stock, which is not publicly traded;

- information concerning CTD's and Endorex's respective businesses, plans and operations, technology, management, competitive position, future business prospects, and historical and projected financial performance;

- current financial market conditions and historical market prices and trading information with regard to Endorex's common stock;

- the complementary and synergistic nature of CTD's and Endorex's operations and strategic focus, in that they both focus on new oral and mucosal formulations of drugs that are currently approved and commercialized;

- the potential operational and administrative cost savings that would result from the merger with Endorex;

- the amount of Endorex stock to be received by CTD's stockholders;

- the compatibility of CTD's and Endorex's management;

- the effect of the merger on CTD's collaborators; and

- the terms of the merger agreement, including restrictions on CTD's ability to consider alternative acquisition proposals following execution of the merger agreement and the provisions regarding payment of a termination fee.

In its deliberations concerning the merger, CTD's board of directors also identified and considered a variety of potentially negative factors. CTD's board considered, among other things:

- the risk that the merger might not be consummated;

- the risk that integration of CTD's and Endorex's operations and employees might not occur in a timely manner and that their operations might not be successfully integrated;

- the risk of disrupting relationships with current and prospective corporate collaborators, academic collaborators, and key service providers;

- the effects of the public announcement of the merger on CTD's ability to secure additional working capital financing on terms acceptable to CTD, its ability to attract and retain key management and technical personnel, and the progress of certain of its development projects;

- the risk that the market price of Endorex common stock might decline in response to public announcement of the merger;

- the risks associated with potential volatility in the market price of Endorex common stock;

- the substantial legal, accounting, and other expenses to be incurred in connection with the merger;

- the risk that benefits sought in the merger will not be fully realized; and

- the other risks described above under "Risk Factors."

The board of directors of CTD was made aware of and discussed the interests

of Steve H. Kanzer in the merger and Endorex. Steve H. Kanzer did not vote on the CTD's board approval of the merger, the merger agreement and the transactions contemplated thereby. See "The Merger--Interests of Certain Persons in the Merger and Potential Conflicts of Interest."

Due to the many different factors, reasons and information considered in connection with its evaluation of the merger, CTD's board did not find it practicable to quantify or otherwise assign relative weight or value to the specific factors that it considered in approving the merger and the merger agreement. Furthermore, individual CTD board members may have viewed or valued factors considered by them differently from other CTD board members.

The foregoing discussion of the information and factors considered by the board of directors of CTD is not meant to be exhaustive, but includes the principal factors considered by the board.

INTERESTS OF CERTAIN PERSONS IN THE MERGER AND POTENTIAL CONFLICTS OF INTEREST

In considering the proposals made in this joint proxy statement/prospectus and the recommendations of the boards of directors of Endorex and CTD regarding such proposals, stockholders of Endorex and CTD should be aware that certain executive officers and directors have some interests in the merger that may be different from or in addition to the general interests of the stockholders of Endorex and CTD. The boards of directors of Endorex and CTD were each aware of these interests and considered them, among other matters, in making their recommendations. These interests include the following:

- Pursuant to the terms of the merger agreement, CTD's current directors and officers will, after the merger, be indemnified by CTD and, for a period of six years thereafter, benefit from insurance coverage for liabilities that arise from their service as directors and officers of CTD prior to the merger.

- Pursuant to the terms of the merger agreement, after the closing of the merger, Dr. Colin Bier, Guy Rico and Peter Kliem, currently directors of CTD, will become directors of Endorex. Mr. Rico and Mr. Kliem, as non-employee directors, will upon appointment and subject to the approval of Proposal Four by the Endorex stockholders at the Endorex annual meeting, receive a fully vested option exercisable for 50,000 shares of Endorex common stock and will thereafter each receive options exercisable for an additional 10,000 shares of Endorex common stock at each annual meeting of the Endorex stockholders vesting one year from the date of grant. If Proposal Four is not approved, then each will receive an option exercisable for 42,000 shares of Endorex common stock upon their appointment to the Endorex board of directors and will thereafter each receive an option exercisable for 12,000 shares of Endorex common stock for every two years they serve as a non-employee director of Endorex.

- Concurrently with the closing of the merger, Dr. Bier, the Chairman of the board of directors of CTD, will enter into an agreement with Endorex to become the Chairman of the board of directors and the Chief Executive Officer of Endorex. Pursuant to this agreement, Dr. Bier will receive an initial annual base salary of $275,000 and options exercisable for 700,000 shares of Endorex common stock.

- Pursuant to the terms of the merger agreement, Steve H. Kanzer, the President and a director of CTD, will receive a payment of 250,000 shares of Endorex common stock upon the closing of the merger.

- Concurrently with the closing of the merger, Mr. Kanzer will enter into a

noncompetition and nonsolicitation agreement with Endorex whereby he will be paid approximately $250 per hour for any time incurred while assisting Endorex in obtaining and enforcing patents, copyrights or trademarks for any intellectual property acquired or discovered by Mr. Kanzer during the course of performing services for or acting as an employee or officer of CTD.

- Pursuant to the terms of the merger agreement, Nicholas Stergiopoulos, the Director of Corporate Development of CTD, will receive a payment of 133,334 shares of Endorex common stock upon the closing of the merger.

- Concurrently with the closing of the merger, Mr. Stergiopoulos will enter into a consulting agreement with Endorex whereby he will be paid approximately $8,200 per calendar month for a period of six months. In addition, Mr. Stergiopoulos will receive 1% of the proceeds of any licensing or asset sale transaction between RxEyes, Inc., a majority owned subsidiary of CTD, and a certain third party or its affiliates, if that license agreement or asset sale was consummated due to the efforts of Mr. Stergiopoulos.

- Pursuant to a voting agreement in the form attached as Appendix II hereto among Endorex, CTD, Roadrunner and the other parties thereto, certain CTD stockholders, including CTD's directors, executive officers and their affiliates, owning beneficially approximately 63% and 61% of CTD's common stock and Series A preferred stock, respectively, outstanding as of October 15, 2001 have agreed to vote all of their shares of CTD common stock and Series A preferred stock for approval of the merger, the merger agreement and the transactions contemplated thereby.

- As of October 15, 2001, the officers and directors of CTD owned in the aggregate options exercisable for 1,322,725 shares of CTD common stock at an exercise price of $.20 per share which will be exchanged for Endorex options exercisable for 359,042 shares of Endorex common stock at an exercise price of $.74 per share.

INTERLOCKING RELATIONSHIPS OF LINDSEY ROSENWALD, M.D. AND AFFILIATES

Steve H. Kanzer is a director of Endorex and the President and Chief Executive Officer and a director of CTD. As of October 15, 2001, Mr. Kanzer beneficially owned 1.92% of Endorex's common stock and 21.0% of CTD's common stock. Mr. Kanzer serves on the board of directors of Endorex as a nominee of the Aries Master Fund II and the Aries Domestic Fund, who subsequently transferred their right to nominate a member to the board of directors of Endorex to Aries Select, Ltd., or Aries, and Aries Select I LLC, or Aries I, each of which is a principal stockholder of Endorex. Aries Select II LLC, or Aries II, is also a stockholder of Endorex.

Paramount Capital Asset Management, Inc., or PCAM, is the investment manager of Aries and the managing member of each of Aries I and Aries II. Lindsay A. Rosenwald, M.D. is the Chairman and sole stockholder of PCAM and Paramount Capital, Inc., or Paramount. As of October 15, 2001, Dr. Rosenwald beneficially owned 34.0% of Endorex's common stock. Paramount has acted as a placement agent in connection with certain private placements of Endorex's common stock, as a finder in connection with a private placement of Endorex's common stock and warrants, and as a financial advisor to Endorex. In addition, certain officers, employees and associates of Paramount and its affiliates own securities of Endorex and a subsidiary of Endorex.

Dr. Rosenwald is also the Chairman and sole stockholder of Huntington Street Company, or Huntington Street, and June Street Company, or June Street, and is

the sole member of Paramount Capital Drug Development Holdings LLC, or Paramount Holdings. Paramount Holdings and Dr. Rosenwald's wife are principal stockholders of CTD. Dr. Rosenwald, Huntington Street and June Street are also stockholders of CTD. In addition, certain officers, employees and associates of Paramount and its affiliates own securities of CTD and subsidiaries of CTD. Paramount has also acted as a placement agent in connection with certain private placements of CTD's Series A preferred stock. As of October 15, 2001, Dr. Rosenwald beneficially owned 56.5% of CTD's common stock and 6.0% of CTD's Series A preferred stock. Additionally, as of October 15, 2001, Dr. Rosenwald's wife beneficially owned 8.9% of CTD's common stock.

Mr. Peter Kash, an employee of Paramount who beneficially owns 5.0% of CTD's common stock and is a security holder of Endorex, and Mr. Martin Kratchman, an employee of Paramount who is a security holder of both Endorex and CTD, will, at the closing of the merger, receive options to acquire an aggregate of 100,000 shares of common stock of Endorex. Mr. Kash and Mr. Kratchman are receiving the options as compensation for their financial advisory services to Endorex in connection with the merger.

OPERATIONS FOLLOWING THE MERGER

Following the merger, CTD will operate as a wholly owned subsidiary of Endorex. The stockholders of CTD will become stockholders of Endorex, and their rights as stockholders will be

governed by Endorex's certificate of incorporation and bylaws. Upon completion of the merger, the members of CTD's board will be Michael S. Rosen, Richard Dunning, Steve H. Kanzer, Steven Thornton, Dr. Paul D. Rubin, Dr. Kenneth Tempero, Dr. Colin Bier, Guy Rico and Peter Kliem and the officers will be as follows:

NAME	OFFICE
Dr. Colin Bier.....	Chairman of the Board and Chief Executive Officer
Michael S. Rosen.....	President, Chief Operating Officer and Secretary
Steve J. Koulogeorge.....	Chief Financial Officer

ACCOUNTING TREATMENT

The merger will be accounted for using the purchase method under United States generally accepted accounting principles. Under this accounting method, Endorex will record assets and liabilities of CTD at their fair value at the effective time of the merger, with the excess of the purchase price over the net tangible and identifiable intangible assets acquired being recorded as goodwill.

AMEX LISTING

The Endorex shares of common stock to be issued in connection with the merger are required to be listed on the American Stock Exchange. Endorex expects to obtain before the merger is completed AMEX's approval to list these shares of common stock, subject to official notice of issuance.

FEDERAL SECURITIES LAWS CONSEQUENCES; STOCK TRANSFER RESTRICTION AGREEMENTS

This joint proxy statement/prospectus does not cover any resales of the Endorex common stock or warrants to be received by the CTD stockholders and

warrant holders upon completion of the merger, and no person is authorized to make any use of this joint proxy statement/prospectus in connection with any such resale.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following general discussion summarizes certain anticipated material United States federal income tax consequences of the merger. This discussion is based upon current provisions of the Internal Revenue Code, current and proposed Treasury regulations, and judicial and administrative decisions and rulings as of the date of this joint proxy statement/prospectus, all of which are subject to change (possibly with retroactive effect) and all of which are subject to differing interpretation. This discussion addresses only those CTD stockholders who hold CTD stock and will hold the Endorex common stock received in the merger as capital assets and does not address all of the United States federal income tax consequences that may be relevant to particular CTD stockholders in light of their individual circumstances or to CTD stockholders who are subject to special rules, such as:

- persons subject to the alternative minimum tax;
- persons who hold CTD stock through partnerships or other pass-through entities;
- financial institutions;
- tax-exempt organizations;
- retirement plans;
- insurance companies;
- dealers in securities or foreign currencies;

- persons who are not citizens or residents of the United States or who are foreign corporations, foreign partnerships or foreign estates or trusts;
- persons who hold CTD stock as part of a straddle, a hedge against currency risk, or as part of a constructive sale or conversion transaction; or
- persons who acquired CTD stock upon the exercise of employee stock options or otherwise as compensation.

In addition, this discussion does not address the tax consequences of the merger under state, local and foreign laws or the tax consequences, if any, of the amendment of CTD's certificate of incorporation such that the Liquidation Amount (as defined in the certificate of incorporation) payable to the holders of the CTD Series A preferred stock in connection with the consummation of the merger does not exceed the aggregate number of shares of Endorex common stock that the holders of CTD Series A preferred stock are entitled to receive in exchange for their shares of Series A preferred stock in connection with the merger.

Consummation of the merger is conditioned upon receipt of opinions, dated as of the date of the consummation of the merger, from Brobeck, Phleger & Harrison LLP and Kramer Levin Naftalis & Frankel LLP to the effect that the merger constitutes a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Such opinions will be based on certain assumptions, and both Brobeck and Kramer Levin will receive and rely upon representations, unverified by counsel, contained in certificates of Endorex, CTD and possibly

others. The inaccuracy of any of those assumptions or representations might jeopardize the validity of the opinions rendered.

The opinions of counsel will neither bind the Internal Revenue Service nor preclude the Internal Revenue Service from adopting positions contrary to those expressed above, and no assurance can be given that contrary positions will not be asserted successfully by the Internal Revenue Service or adopted by a court if the issues are litigated. Neither Endorex nor CTD intends to obtain a ruling from the Internal Revenue Service with respect to the tax consequences of the merger.

Based on the conclusion that the merger qualifies as a reorganization under Section 368(a) of the Internal Revenue Code, the material federal income tax consequences of the merger will be as follows:

- no gain or loss will be recognized by Endorex, Roadrunner or CTD as a result of the merger;

- no gain or loss will be recognized by CTD stockholders on the exchange of shares of CTD stock for shares of Endorex common stock pursuant to the merger, except with respect to cash, if any, received in lieu of fractional shares of Endorex common stock;

- the aggregate tax basis to a CTD stockholder of the shares of Endorex common stock received in exchange for shares of CTD stock pursuant to the merger will equal such CTD stockholder's aggregate tax basis in the shares of CTD stock surrendered in exchange therefor, reduced by the amount of tax basis allocable to a fractional share interest in Endorex common stock for which cash is received;

- the holding period of a CTD stockholder for shares of Endorex common stock received in exchange for shares of CTD stock pursuant to the merger will include the holder's holding period for the shares of CTD stock surrendered in exchange therefor; and

- a CTD stockholder who receives cash in lieu of a fractional share of Endorex common stock pursuant to the merger will be treated as having received the fractional share in the merger and then as having sold the fractional share for cash. Such shareholder will generally recognize capital gain or loss on the deemed sale in an amount equal to the difference between the amount of cash received and the ratable portion of the stockholder's tax basis in the CTD stock surrendered in the merger that is allocated to the fractional share.

CTD stockholders receiving Endorex common stock in the merger should file a statement with their United States federal income tax returns for the year in which the merger occurs setting forth their tax basis in the CTD stock exchanged in the merger and the fair market value of the Endorex common stock and the amount of any cash, if any, received in the merger. In addition, CTD stockholders will be required to retain permanent records of these facts relating to the merger.

A CTD stockholder who exercises dissenter's rights with respect to its CTD stock and receives payment for those shares in cash generally will recognize gain or loss equal to the difference between the amount of cash received and the stockholder's tax basis in such shares. Any gain or loss recognized will be long-term capital gain or loss if the stockholder's holding period for its CTD stock exceeds twelve months at the effective time of the merger. However, it is possible under certain circumstances for a CTD stockholder to recognize ordinary income equal to the amount of cash received; therefore, each CTD stockholder

should consult its own tax advisor as to the income tax consequences of exercising dissenter's rights under such stockholder's particular circumstances.

The United States federal income tax consequences set forth above are for general information only and are not intended to constitute a complete description of all tax consequences relating to the merger or the tax consequences associated with any receipt of merger consideration that is deemed to be other than in exchange for CTD stock, including amounts paid in consideration for services rendered. You are strongly urged to consult your own tax advisor to determine the particular tax consequences to you of the merger, including the applicability and effect of foreign, state, local and other tax laws.

APPRAISAL RIGHTS OF CTD STOCKHOLDERS

Under the Delaware General Corporation Law, any holder of shares of CTD stock who does not wish to accept the merger consideration in respect of its shares has the right to dissent from the merger and to seek an appraisal of, and to be paid the fair cash value (exclusive of any element of value arising from the accomplishment or expectation of the merger) for, its shares of stock, determined by a court, together with a fair rate of interest, if any, provided that the stockholder fully complies with the provisions of Section 262 of the Delaware General Corporation Law. A copy of Section 262 is attached as Appendix IV hereto. Section 262 requires the following:

DISSENTING STOCKHOLDERS MUST MAKE A WRITTEN DEMAND FOR APPRAISAL

Dissenting stockholders must deliver a written demand for appraisal to CTD before the vote at the CTD special meeting on November 29, 2001 to approve the merger and the merger agreement.

DISSENTING STOCKHOLDERS MUST REFRAIN FROM APPROVING THE MERGER

Dissenting stockholders must not approve the merger and the merger agreement. If a dissenting stockholder votes in favor of the merger and the merger agreement, that will terminate the stockholder's right to appraisal, even if the stockholder previously filed a written demand for appraisal.

DISSENTING STOCKHOLDERS MUST CONTINUOUSLY HOLD THEIR CTD SHARES

Dissenting stockholders must continuously hold their shares of CTD stock from the date they make the demand for appraisal through the effective date of the merger. Record holders of CTD stock who make a written demand for appraisal but thereafter transfer their shares prior to the effective date of the merger will lose any right to appraisal in respect of those shares.

DEMAND FOR APPRAISAL

A written demand for appraisal of CTD shares is only effective if it reasonably informs CTD of the identity of the stockholder and that the stockholder demands appraisal of its shares.

Dissenting stockholders who are beneficial owners, but not the stockholder of record, must have the stockholder of record sign a demand for appraisal.

Dissenting stockholders who own CTD stock in a fiduciary capacity, such as a trustee, guardian or custodian, must disclose the fact that they are signing in that capacity the demand for appraisal.

Dissenting stockholders who own CTD stock with more than one person, such as

in a joint tenancy or tenancy in common, must ensure that all the owners sign, or have signed for them, the demand for appraisal. An authorized agent, which could include one or more of the joint owners, may sign the demand for appraisal for a stockholder of record, except that the agent must expressly disclose who the stockholder of record is and that the agent is signing the demand as that stockholder's agent.

A dissenting stockholder who is a record owner, such as a broker, of shares of CTD stock as a nominee for others may exercise a right of appraisal with respect to the shares held for one or more beneficial owners while not exercising that right for other beneficial owners. In such a case, the stockholder should specify in the written demand the number of shares as to which the stockholder wishes to demand appraisal. If the written demand does not expressly specify the number of shares, CTD will assume that the written demand covers all the shares of CTD capital stock that are in the nominee's name.

Dissenting stockholders who elect to exercise appraisal rights should mail or deliver a written demand to:

Corporate Technology Development, Inc.
1680 Michigan Avenue, Suite 700
Miami, FL 33139
Attention: President

It is important that CTD receive all written demands promptly as provided above. This written demand should be signed by, or on behalf of, the stockholder of record. The written demand for appraisal should specify the stockholder's name and mailing address, the number and class of shares of stock owned, and that the stockholder is thereby demanding appraisal of that stockholder's shares.

Dissenting stockholders who fail to comply with any of these conditions will only be entitled to receive the merger consideration specified in the merger agreement.

WRITTEN NOTICE

Either before or within ten days after the effective date of the merger, CTD must give written notice to dissenting stockholders that the merger has or will become effective and that dissenting stockholders are entitled to the rights described in Section 262. If given on or after the effective date of the merger, the notice must specify the effective date of the merger. If the notice does not specify the effective date of the merger, then a second notice must be sent prior to the effective date of the merger or within ten days of the effective date of the merger specifying such date.

PETITION WITH THE CHANCERY COURT

Within 120 days after the merger, either CTD or any stockholder who has complied with the conditions of Section 262 may file a petition in the Delaware Court of Chancery. This petition should request that the Chancery Court determine the value of the shares of stock held by all the stockholders who are entitled to appraisal rights. Dissenting stockholders who intend to exercise their appraisal

rights should file this petition in the Chancery Court. CTD has no intention at this time to file this petition. Because CTD has no obligation to file this petition, if no dissenting stockholder files this petition within 120 days after the effective date of the merger, dissenting stockholders will lose their rights of appraisal.

WITHDRAWAL OF DEMAND

A dissenting stockholder who no longer wants to exercise appraisal rights must withdraw the stockholder's demand for appraisal rights within 60 days after the effective date of the merger. A stockholder may also withdraw a demand for appraisal rights after 60 days after the effective date of the merger, but only with the written consent of CTD. If a stockholder effectively withdraws a demand for appraisal rights, the stockholder will receive the merger consideration provided in the merger agreement.

REQUEST FOR APPRAISAL RIGHTS STATEMENT

If a stockholder has complied with the conditions of Section 262, that stockholder is entitled to receive a statement from CTD setting forth the aggregate number of shares for which appraisal rights have been demanded and the aggregate number of stockholders who own those shares. In order to receive this statement, a stockholder must send a written request to CTD within 120 days after the effective date of the merger. After the merger, CTD has ten days after receiving a request to mail the statement, or, if later, ten days after the period in which demands for appraisal rights must be made has expired.

CHANCERY COURT PROCEDURES

If dissenting stockholders properly file a petition for appraisal in the Delaware Court of Chancery and deliver a copy to CTD, CTD will then have 20 days to provide the Chancery Court with a list of the names and addresses of all stockholders who have demanded appraisal rights and have not reached an agreement with CTD as to the value of their shares. The Chancery Court may then send notice to all the stockholders who have demanded appraisal rights. The Chancery Court will then conduct a hearing to determine whether the stockholders have fully complied with Section 262 of the Delaware General Corporation Law and whether they are entitled to appraisal rights under that section. The Chancery Court may also require dissenting stockholders to submit their stock certificates to the Register in Chancery so that it can note on the certificates that an appraisal proceeding is pending. Dissenting stockholders who do not follow this requirement may be dismissed from the proceeding.

APPRAISAL OF SHARES

After the Chancery Court determines which stockholders are entitled to appraisal rights, the Chancery Court will appraise the shares of stock. To determine the fair value of the shares, the Chancery Court will consider all relevant factors, and will exclude any appreciation or depreciation due to the anticipation or accomplishment of the merger. After the Chancery Court determines the fair value of the shares, it will direct CTD to pay that value to the stockholders who are entitled to appraisal rights, together with interest, simple or compound, if any, as the court may direct. In order to receive payment for their shares, dissenting stockholders must then surrender their stock certificates to CTD.

The Chancery Court could determine that the fair value of shares of stock is more than, the same as, or less than the merger consideration. In other words, dissenting stockholders who demand appraisal rights could receive less consideration than they would receive under the merger agreement.

COSTS AND EXPENSES OF APPRAISAL PROCEEDING

The costs of the appraisal proceeding may be assessed against CTD and the stockholders participating in the appraisal proceeding, as the Chancery Court

deems equitable under the circumstances. Dissenting stockholders may also request that the Chancery Court allocate the expenses of the appraisal action incurred by any stockholder pro rata against the value of all the shares entitled to appraisal.

LOSS OF STOCKHOLDER'S RIGHTS

From and after the effective date of the merger, dissenting stockholders who demand appraisal rights will not be entitled:

- to vote the shares of stock for which they have demanded appraisal rights for any purpose;

- to receive payment of dividends or any other distribution with respect to the shares of stock for which they have demanded appraisal, except for dividends or distributions, if any, that are payable to holders of record as of a record date prior to the effective date of the merger; or

- to receive the payment of the consideration provided for in the merger agreement (unless the holder properly withdraws the demand for appraisal).

If no petition for an appraisal is filed within 120 days after the effective date of the merger, a stockholder's right to an appraisal will cease. A stockholder may withdraw a demand for appraisal and accept the merger consideration by delivering to CTD a written withdrawal of the demand, except that (1) any attempt to withdraw made more than 60 days after the closing of the merger will require the written approval of CTD, and (2) an appraisal proceeding in the Chancery Court cannot be dismissed unless the Chancery Court approves.

Dissenting stockholders who fail to comply strictly with the procedures described above will lose their appraisal rights. Consequently, dissenting stockholders who wish to exercise their appraisal rights are strongly urged to consult a legal advisor before attempting to exercise their appraisal rights.

TREATMENT OF CTD SECURITIES

COMMON STOCK

As of October 15, 2001, CTD had outstanding 5,000,000 shares of common stock, par value $.001 per share. Pursuant to the merger agreement, each outstanding share of CTD common stock will be exchanged for .271443 of a share of Endorex common stock, with cash payment being made for any fractional shares as set forth in the merger agreement.

SERIES A PREFERRED STOCK

As of October 15, 2001, CTD had outstanding 7,628,750 shares of Series A preferred stock, par value $.001 per share. Pursuant to the merger agreement, each outstanding share of CTD Series A preferred stock will be exchanged for 1.008466 shares of Endorex common stock, with cash payment being made for any fractional shares as set forth in the merger agreement.

STOCK OPTIONS

As of October 15, 2001, CTD had outstanding under its stock option plan options to purchase 1,322,725 shares of CTD common stock at an exercise price of $0.20 per share. At the effective time of the merger and without any action on the part of the holders of CTD options, each option to acquire CTD common stock issued and outstanding immediately prior to the merger, and all rights in respect thereof, will be exchanged for Endorex options to acquire Endorex common stock in substitution for

those CTD options. Each such Endorex option will be evidenced by a new stock option agreement issued by Endorex to each of the holders of a CTD option. Each such Endorex option will have, and be subject to, the same terms and conditions set forth in the applicable option holder's stock option agreements for the CTD options, as in effect on the date of the merger agreement, except that the number of shares and the exercise price of the CTD options will be changed to reflect the exchange ratio of 0.271443 of a share of Endorex common stock for each share of CTD common stock, with the number of options aggregated for each holder and rounded down to the nearest whole share. The exercise price of each such option for CTD common stock adjusted proportionately and rounded up to the nearest whole cent will be $0.74 per share.

WARRANTS

As of October 15, 2001, CTD had warrants outstanding to purchase 762,875 shares of Series A preferred stock at an exercise price of $2.20 per share. The holders of CTD warrants have agreed to amend such warrants prior to the effective time of the merger. At the effective time of the merger and without any action on the part of the holders of CTD warrants issued and outstanding immediately prior to the merger, each warrant to acquire CTD Series A preferred stock and all rights in respect thereof will be exchanged for Endorex warrants to acquire Endorex common stock in substitution for those CTD warrants. Each such Endorex warrant will be evidenced by a new warrant agreement issued by Endorex to each of the holders of a CTD warrant. Each such Endorex warrant will have, and be subject to, the same terms and conditions set forth in the applicable warrant holder's warrant agreement for the CTD warrants, except that the number of shares and the exercise price of the CTD warrants will be changed to reflect the exchange ratio of 0.271443 of a share of Endorex common stock for each share of CTD preferred stock pursuant to the warrant and will be exercisable for Endorex common stock instead of CTD Series A preferred stock, with the number of warrants aggregated for each holder and rounded down to the nearest whole share. The exercise price of each warrant for CTD Series A preferred stock adjusted proportionately and rounded up to the nearest whole cent will be $8.11.

RESTRICTIONS ON SALE OF SHARES BY AFFILIATES OF CTD

The shares of Endorex common stock issued in the merger and issuable upon exercise of Endorex options and warrants issued in connection with the merger will be registered under the Securities Act, and these securities will be freely transferable under the Securities Act, except for shares issued to any person who is deemed to be an affiliate of CTD, at the time the merger is submitted to the vote of CTD's stockholders, or an affiliate of Endorex under the Securities Act. Persons who may be deemed to be affiliates of CTD include individuals or entities that control, are controlled by, or are under common control with CTD and may include some of the officers, directors or principal stockholders of CTD. Affiliates may not sell their shares of Endorex common stock or warrants acquired in connection with the merger except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;

- an exemption under paragraph (d) of Rule 145 under the Securities Act; or

- another applicable exemption under the Securities Act.

Endorex's registration statement on Form S-4, of which this proxy statement/prospectus forms a part, does not cover the resale of shares of Endorex common stock or warrants to be received by affiliates in the merger.

Certain affiliates of CTD have additionally agreed not to sell or transfer their Endorex common stock, options or and warrants until the date upon which Endorex has filed two reports on either Form 10-QSB or 10-KSB with the SEC for any two reporting periods subsequent to the effective date of the merger and thereafter only pursuant to an effective registration statement or an exemption under the Securities Act.

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION AND RELATED AGREEMENTS

THE FOLLOWING DESCRIPTION OF THE AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, AND CERTAIN RELATED AGREEMENTS ENTERED IN CONNECTION THEREWITH, DOES NOT PURPORT TO BE COMPLETE AND IS SUBJECT TO, AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO, THE MERGER AGREEMENT. A COPY OF THE MERGER AGREEMENT IS ATTACHED AS APPENDIX I HERETO. WE ENCOURAGE YOU TO READ THE FULL AND COMPLETE TEXT OF THE MERGER AGREEMENT AND RELATED AGREEMENTS BECAUSE THEY ARE THE LEGAL DOCUMENTS THAT GOVERN THE MERGER.

CLOSING AND EFFECTIVE TIME OF THE MERGER

The merger agreement provides that the closing will take place as soon as practicable after the satisfaction or the waiver of the conditions to the merger contained in the merger agreement unless some other time or date is agreed to by Endorex and CTD.

On the closing date, the parties to the merger agreement will file with the Secretary of State of Delaware a certificate of the merger prepared and executed in accordance with the relevant provisions of the Delaware General Corporation Law. The merger will become effective when this certificate of merger is accepted and recorded by the Delaware Secretary of State, unless some other time or date is agreed to by Endorex and CTD.

WHAT CTD STOCKHOLDERS WILL RECEIVE IN THE MERGER

Each share of CTD common stock issued and outstanding immediately prior to the effective time of the merger will automatically convert into the right to receive .271443 of a share of Endorex common stock. Each share of CTD Series A preferred stock that is issued and outstanding immediately prior to the effective time of the merger will automatically be converted into 1.008466 shares of Endorex common stock. Each CTD option will be exchanged for a new Endorex option based on the number of shares the option can be converted into and an adjusted strike price according to the formula listed in the merger agreement. Each CTD warrant will also be exchanged for a new Endorex warrant based on the number of shares issuable upon exercise of that CTD warrant and an adjusted strike price according to the formula stated in the merger agreement. Pursuant to the merger agreement, Endorex is not required to issue common stock or any securities exercisable for Endorex common stock that would result in the issuance of more than 10,000,000 shares of Endorex common stock, assuming the exercise of any such exercisable securities at the closing of the merger.

Pursuant to the merger agreement, at closing, Nicholas Stergiopoulos will receive 133,334 shares of Endorex common stock from Endorex as payment of a bonus related to his employment with CTD and Steve H. Kanzer will receive 250,000 shares of Endorex common stock from Endorex as payment of a bonus related to his employment with CTD.

CTD STOCKHOLDERS, OPTION HOLDERS AND WARRANT HOLDERS WILL RECEIVE ENDOREX STOCK, OPTIONS OR WARRANTS BASED ON THE MERGER AGREEMENT

Endorex has agreed to mail to all CTD stockholders following the effective

time of the merger instructions for converting their CTD stock into Endorex common stock or cash for fractional shares. After the effective time, all CTD capital stock will no longer be outstanding and will automatically be cancelled and cease to exist. CTD stockholders must surrender their shares to be eligible for distributions and dividends on Endorex common stock. No distribution or dividend will be paid for unsurrendered shares. Upon surrender of the CTD stock, however, Endorex will pay all outstanding distributions and dividends for whole shares of Endorex common stock, without interest.

Following the effective time of the merger, all CTD options will be exchanged for Endorex options and CTD option holders will have the right only to exchange their CTD options for Endorex options as

provided in the merger agreement. Endorex will mail to all CTD option holders instructions for exchanging their CTD options for Endorex options subsequent to the effective time of the merger.

Following the effective time of the merger, all CTD warrants will be exchanged for Endorex warrants and warrant holders will have the right only to exchange their CTD warrants for Endorex warrants as provided in the merger agreement. Endorex will mail to all CTD warrant holders instructions for exchanging their CTD warrants for Endorex warrants subsequent to the effective time of the merger.

WHAT CTD DISSENTING STOCKHOLDERS WILL RECEIVE

CTD will provide CTD's dissenting stockholders all rights provided them in Section 262 of the Delaware General Corporation Law. It is a condition precedent to Endorex closing the merger agreement, however, that the CTD stockholders that have exercised their dissenter's rights be entitled to receive in the merger no more than 250,000 shares of Endorex common stock.

CONDITIONS TO OBLIGATIONS OF EACH PARTY TO CONSUMMATE THE MERGER

CTD and Endorex agreed that the merger will only be deemed effective and the parties bound when the conditions stated in the merger agreement have been fulfilled or waived. These conditions include the following:

- no temporary restraining order, preliminary or permanent injunction or other order issued by any court is in effect preventing consummation of the merger;

- the merger is not found to be illegal by any governmental body;

- the parties have obtained all governmental approvals necessary for consummation of the merger;

- the escrow agreement has been executed and is in full force;

- the merger and the merger agreement have been approved by the stockholders of CTD;

- the issuance of Endorex common stock, options and warrants in connection with the merger have been approved by the stockholders of Endorex;

- the shares of Endorex common stock to be issued in the merger have been registered with the SEC under the Securities Act, the registration statement has become effective and the registration statement is not the subject of any stop order or proceedings seeking a stop order;

- the shares of Endorex common stock to be issued in the merger have been approved for listing by AMEX and Endorex has not received a notice from AMEX indicating that Endorex is not in compliance with AMEX listing requirements; and

- CTD and Endorex have received opinions, dated as of the closing date, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

CONDITIONS TO OBLIGATIONS OF CTD

CTD agreed to consummate the merger agreement only if the conditions listed in the merger agreement have been satisfied or waived, including:

- Endorex has provided all necessary documents and has been truthful and accurate in all material respects in the representations and warranties in the merger agreement;

- Endorex has complied in all material respects with all covenants and obligations in the merger agreement;

- there has been no material adverse change in the conditions, properties, assets, liabilities, business operations or results of operations of Endorex;

- all required consents, third-party approvals and legal opinions have been given;

- at the effective time, the board consists of nine members including Dr. Colin Bier, Mr. Guy Rico, and Mr. Peter Kliem; and

- Endorex has executed a consulting agreement with Nicholas Stergiopoulos, an employment agreement with Dr. Bier and a noncompetition and nonsolicitation agreement with Steve H. Kanzer.

CONDITIONS TO THE OBLIGATIONS OF ENDOREX

Endorex has agreed to consummate the merger agreement only if the conditions listed in the merger agreement have been satisfied or waived, including:

- CTD has provided all necessary documents and has been truthful and accurate in all material respects in the representations and warranties in the merger agreement;

- CTD has complied in all material respects with all covenants and obligations in the merger agreement;

- there has been no material adverse change in the conditions, properties, assets, liabilities, business operations, or results of operations of CTD;

- CTD's directors and officers have resigned prior to the effective time of the merger;

- all required consents, third-party approvals and legal opinions have been given;

- CTD has terminated all employment agreements or arrangements;

- Mr. Stergiopoulos has executed a consulting agreement with Endorex, Dr. Bier has executed an employment agreement with Endorex and Mr. Kanzer

has executed a noncompetition and nonsolicitation agreement with Endorex;

- no CTD securities are outstanding other than as set forth in the merger agreement;

- those CTD stockholders that have exercised dissenters rights are entitled to receive no more than 250,000 shares of Endorex common stock in the merger;

- CTD has amended its warrants and certificate of incorporation in compliance with the merger agreement; and

- Endorex's stockholders have approved an amendment to Endorex's stock option plan.

REPRESENTATIONS AND WARRANTIES

The merger agreement contains representations and warranties of the parties that are customary for a transaction of this nature. These representations and warranties are related to, among other things, the parties' organizations, capital structures, authority to enter into the transaction, filings with regulatory authorities, compliance with governmental laws, regulations and statutes, compliance with organizational documents, the absence of material litigation and the accuracy of the information supplied for the merger agreement including the accuracy of the financial statements and other matters.

CTD REPRESENTATIONS AND WARRANTIES

The merger agreement contains various representations and warranties of CTD relating to, among other things:

- financial statements;

- absence of undisclosed liabilities;

- absence of certain changes since December 31, 2000;

- intellectual property rights;

- capitalization and outstanding securities;

- title to property;

- interested party transactions;

- payment of taxes and the sufficiency of reserves for current tax liability;

- employee benefit plans;

- employee matters;

- absence of an agreement with a broker, finder or investment banker that requires payment of a fee or commission relating to the merger;

- absence of any non-compete agreement that would impair the conduct of business;

- environmental matters;

- stockholder votes;
- absence of excessive parachute payments;
- insurance policies;
- guaranties;
- subsidiaries;
- employment agreements;
- compliance with FDA regulations;
- results of clinical tests conducted;
- patent and trademark applications;
- license agreement with Dr. George McDonald;
- sale of the assets of Intero Corp.;
- dissolution of selected subsidiaries, including Neuropath, Inc., Iopthalmics, Inc., Magyar Pharmaceuticals, Inc., CTD Drug Design, Inc., Institute for Drug Research Publications, Inc., CTD Investments, LLC and Nodolor, Inc.; and
- liquidation rights of Series A preferred stockholders.

ENDOREX AND ROADRUNNER REPRESENTATIONS AND WARRANTIES

The merger agreement contains various representations and warranties of Endorex and Roadrunner Acquisition, Inc., a wholly owned subsidiary of Endorex, relating to, among other things:

- timeliness and accuracy of Endorex's SEC and AMEX filings;
- absence of undisclosed litigation;
- absence of undisclosed liabilities;
- absence of certain changes since December 31, 2000; and

- absence of an agreement with a broker, finder or investment banker that requires payment of a fee or commission relating to the merger.

COVENANTS

JOINT COVENANTS

Endorex and CTD have each agreed that until the effective time of the merger, they will do the following:

- obtain consents required in connection with material contracts;
- cooperate on CTD tax matters, including the preparation of tax returns;
- provide business information and access to the other party on reasonable advance notice;

- confer with the other party regarding material operational matters before taking any actions prior to the effective time;

- treat and hold all confidential information as such and refrain from using the confidential information except in connection with the merger agreement;

- consult with each other and obtain permission before issuing any press release or making any public disclosure regarding the merger;

- use reasonable best efforts to effectuate the merger, fulfill all of the conditions of the merger agreement and notify the other party of the failure of any representation or warranty to be true or to comply with any covenant or condition under the merger agreement;

- use best efforts to cause the merger to qualify as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended;

- timely provide all necessary information and make all necessary filings under federal and state law and in compliance with SEC, AMEX and blue sky rules and guidelines;

- timely prepare and file with the SEC the joint proxy statement/prospectus and cause the registration statement to become effective as soon as practicable;

- timely and accurately respond to comments and requests from the other party; and

- promptly call a meeting of the stockholders of CTD to vote on the merger and the merger agreement and a meeting of the Endorex stockholders to vote on the issuance of Endorex common stock in the merger, and coordinate their individual meetings of stockholders to fall on the same day, if possible.

CTD COVENANTS

CTD additionally covenanted that it would do the following:

- provide complete and accurate copies of its unaudited consolidated financial statements for the quarterly periods ended during the fiscal year 2001 prior to the effective time;

- notify Endorex of any event or occurrence not in the ordinary course of business or which could have a material adverse effect on Endorex or any of its interests;

- provide litigation support in connection with actions regarding the merger or CTD;

- amend and terminate certain employment agreements and employment relationships;

- deliver to Endorex within 30 days executed affiliate agreements from all affiliates of CTD;

- amend its certificate of incorporation as contemplated in the merger agreement;

- provide information for inclusion in the joint proxy statement/prospectus;

- amend its warrants as contemplated in the merger agreement;

- use its best efforts to amend the license agreement with Dr. George McDonald; and

- notify all relevant persons of its recent change of address.

CTD covenanted not to do the following without the prior written consent of Endorex:

- permit any amendments to its certificate of incorporation, bylaws or other charter documents, other than those contemplated under the merger agreement;

- declare or pay any dividends or make any other distributions on its capital stock;

- enter into any material contracts or commitments or breach the terms of any material contracts;

- issue, deliver or sell any shares of its capital stock or securities exchangeable for its capital stock;

- transfer or sell its intellectual property rights;

- sell, lease, license or otherwise dispose of or encumber its assets;

- incur any material indebtedness or guarantee or issue or sell any debt securities;

- enter into any non-budgeted operating lease;

- pay any material claim or liability which is not part of the budget;

- make any capital expenditures or capital improvements;

- terminate or waive any right of substantial value;

- adopt or amend any employee benefit, stock option or stock purchase plan;

- hire any new employee other than secretarial staff;

- grant any severance or termination pay or pay any bonus;

- commence a lawsuit;

- acquire another business;

- change any tax election; or

- take any action outside its ordinary course of business.

AMENDMENT TO CTD'S CERTIFICATE OF INCORPORATION

Pursuant to the terms of the merger agreement, CTD is required, prior to the effective time of the merger, to amend its certificate of incorporation such that the Liquidation Amount (as defined in the certificate of incorporation) payable to the holders of CTD Series A preferred stock in connection with the consummation of the merger does not exceed the aggregate number of shares of Endorex common stock that the holders of CTD Series A preferred stock are entitled to receive in exchange for their shares of Series A preferred stock in

connection with the merger. The effect of the amendment is to reduce the number of shares of Endorex common stock the holders of shares of CTD Series A preferred stock would be entitled to receive in the merger and to increase the number of shares of Endorex common stock the holders of shares of CTD common stock would be entitled to receive in the merger.

RESTRICTIONS ON SOLICITING ALTERNATIVE PROPOSALS

In the merger agreement, CTD agreed that it will not directly or indirectly do any of the following:

- solicit, engage in, or participate in any negotiations or discussions with respect to an offer to acquire all or any part of CTD's stock or assets from any party other than Endorex;

- disclose non-public information or permit access to the properties, books or records of CTD for the purpose of formulating an offer competing with the merger with Endorex;

- assist, cooperate with, or encourage any person or entity making, or facilitate the making of a competing offer; or

- agree to, enter into, approve, recommend or endorse a competing offer.

CTD agreed to notify Endorex within 24 hours after learning of a competing offer and to forward to Endorex copies of any competing proposal or request that is made in writing and copies of all correspondence related thereto. Thereafter, CTD will keep Endorex fully apprised of the status of the competing offer and of any term modifications. CTD has agreed to terminate all discussions or negotiations with any parties other than Endorex about a competing offer.

In the merger agreement, Endorex agreed it will not directly or indirectly do any of the following:

- solicit, engage in, or participate in any negotiations or discussions with respect to any offer to acquire substantially all of the assets or equity interests of another entity if the proposed acquisition by Endorex would materially adversely affect Endorex's ability to consummate the merger agreement;

- disclose non-public information or permit access to the properties, books or records of Endorex for the purpose of formulating another such acquisition by Endorex;

- assist, cooperate with, or encourage any person or entity to make, or facilitate the making of, a competing offer to be acquired by Endorex; or

- agree to, enter into, approve, recommend or endorse a competing offer to be acquired by Endorex.

Endorex agreed to forward to CTD copies of any acquisition inquiries that are made in writing and copies of all correspondences relating thereto. Thereafter, Endorex has promised to keep CTD fully apprised of the status of any such potential acquisition and of any term modifications. Endorex has agreed to terminate all discussions or negotiations with any parties other than CTD about any proposed acquisition.

The parties acknowledged that any breach of the promise to deal exclusively with each other will result in irreparable harm to the non-breaching party that is not compensable with money damages and agreed that the covenants regarding

solicitation of alternative proposals will be enforceable by specific performance and injunctive relief.

INDEMNIFICATION

All of the representations, warranties, covenants and agreements of the parties to the merger agreement survive and continue in effect until March 31, 2003. The parties to the merger agreement have agreed to indemnify the other parties thereto and their respective officers, directors, employees, agents and advisors, against all demands, claims, actions, judgments, obligations, liabilities, losses, costs, expenses and the like resulting from any breach of any representation or warranty or failure to perform any covenant or agreement in the merger agreement and any other agreement entered into or document delivered by such party in connection with the merger. Pursuant to the terms of the merger agreement and the escrow agreement, an escrow fund containing shares of Endorex common stock to be issued in connection with the merger will be available to compensate Endorex and certain other

indemnified persons for breaches of such representations, warranties, covenants and agreements of CTD under the merger agreement.

Except as set forth in the merger agreement, no party to the merger agreement is entitled to make a claim for indemnification under the merger agreement until the aggregate amount of damages incurred by such party exceeds $100,000, at which time the party seeking indemnification may recover all amounts up to a maximum of the closing date fair market value of the aggregate number of shares of Endorex common stock in escrow on the date of the delivery of the notice of indemnification. Closing date fair market value means, prior to the closing of the merger, $1.50, and, after the closing of the merger, the average closing price of Endorex common stock on AMEX for the 30 trading days prior to the closing date. The parties have the option to make indemnification payments in shares of Endorex common stock or cash.

In particular, CTD's stockholders are required to indemnify the Endorex parties for damages and the like resulting from a dispute between CTD and the licensors under the license agreement relating to Metropt-TM-. Indemnification for such dispute will not be subject to the $100,000 threshold, but shall not exceed $200,000.

AMEX NON-COMPLIANCE NOTICE

Endorex has agreed that if it receives an official written notice from AMEX stating that Endorex is not in compliance with the requirements for the continued listing of Endorex's common stock on AMEX, that Endorex will use its reasonable best efforts to remedy the deficiencies for continued listing of Endorex's common stock on AMEX.

TAXES

Endorex and CTD agreed to use their best efforts to cause the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

TERMINATION OF THE MERGER AGREEMENT

At any time prior to the effective time of the merger, the merger agreement may be terminated by the mutual agreement of Endorex and CTD. The merger agreement also may be terminated by Endorex if:

- CTD materially breaches any representation, warranty, obligation, or

agreement that is not cured by CTD within ten days of receipt of notice thereof, unless Endorex is in breach of the merger agreement at that time;

- the merger is not completed by December 31, 2001, unless Endorex is in breach of the merger agreement at that time;

- the merger is enjoined by a court order not entered at the request or with the support of Endorex or certain of its affiliates;

- CTD stockholders fail to approve the merger and the merger agreement;

- Endorex stockholders fail to approve the issuance of Endorex securities in connection with the merger;

- CTD's board of directors withdraws or modifies in an adverse manner its recommendation of the merger agreement and the merger; or

- CTD's board of directors recommends or endorses to the CTD stockholders a proposal that competes with the merger agreement.

The merger agreement may be terminated by CTD if:

- Endorex or Roadrunner materially breaches any representation, warranty, obligation, or agreement that is not cured by Endorex or Roadrunner, as the case may be, within ten days of receipt of notice thereof, unless CTD is in breach of the merger agreement at that time;

- the merger is not completed by December 31, 2001, unless CTD is in breach of the merger agreement at that time;

- the merger is enjoined by a court order not entered at the request or with the support of CTD or certain of its affiliates;

- Endorex stockholders fail to approve the issuance of Endorex securities in connection with the merger; or

- Endorex's board of directors withdraws or modifies in an adverse manner its recommendation of the issuance of Endorex securities in connection with the merger.

TERMINATION FEE

Under the merger agreement, CTD is obligated to pay to Endorex a termination fee of $1,000,000, plus all reasonable costs and expenses incurred by Endorex in connection with the merger agreement, if Endorex terminates the merger agreement because:

- CTD materially breached a representation, warranty, obligation, or agreement that was not cured by CTD within ten days of receipt of notice thereof and within 12 months after termination, CTD enters into another specified acquisition transaction with a third party that was in contact with the CTD prior to the termination of the merger agreement;

- CTD stockholders fail to approve the merger and the merger agreement;

- CTD's board of directors withdraws or modifies in an adverse manner its recommendation of the merger agreement and the merger; or

- CTD's board of directors recommends or endorses to the CTD stockholders a proposal that competes with the merger agreement.

Endorex is obligated to pay to CTD a termination fee of $1,000,000, plus all reasonable costs and expenses incurred by CTD in connection with the merger agreement, if CTD terminates the merger agreement because:

- Endorex materially breached a representation, warranty, obligation, or agreement that was not cured by Endorex within ten days of receipt of notice thereof and within 12 months after such termination, Endorex enters into another specified acquisition transaction with a third party that was in contact with Endorex prior to the termination of the merger agreement;

- Endorex's board of directors withdraws or modifies in an adverse manner its recommendation of the issuance of Endorex securities in connection with the merger; or

- Endorex stockholders fail to approve the issuance of Endorex securities in connection with the merger and stockholders representing greater than 50% of the outstanding stock of Endorex eligible to vote on that issuance vote against the proposal, excluding from the calculation the shares held by and votes of Dr. Lindsey Rosenwald and his affiliates and any stockholders that are also stockholders of CTD or their affiliates.

EXPENSES OF THE COMBINATION

Endorex and CTD agreed that all costs and expenses incurred as a result of the merger agreement are the responsibility of the incurring party. CTD has agreed that its costs and expenses incurred in

connection with the merger agreement may not exceed $425,000 in the aggregate. If CTD's costs and expenses exceed $425,000, two-thirds of the excess will be deemed damages for which Endorex is entitled to indemnity and one-third will increase the $425,000 limit by that amount, except that the limit may not exceed $475,000. In addition, Endorex and CTD agreed to share equally any payment for:

- the filing fee for the joint proxy statement/prospectus and the related registration statement

- the fees of the escrow agent; and

- the cost of a directors' and officers' insurance tail policy for CTD (net of any refunds from cancellation of the regular policy).

SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All representations, warranties, and covenants of the parties contained in the merger agreement shall survive until March 31, 2003.

RELATED AGREEMENTS

VOTING AGREEMENT

Concurrently with entering into the merger agreement, Endorex, Roadrunner Acquisition, Inc., CTD and stockholders of CTD holding approximately 63% of CTD's outstanding common stock and 61% of CTD's outstanding Series A preferred stock, or the Voting Agreement Stockholders, entered into a voting agreement dated as of July 31, 2001 pursuant to which the Voting Agreement Stockholders agreed to vote their shares of CTD stock in favor of the merger, the merger agreement and all of the transactions contemplated by the merger agreement, and any other matters necessary for the consummation of such transactions. The Voting Agreement Stockholders also agreed to vote their shares of CTD capital

stock against any proposals competing with the merger agreement, changes in the directors or capitalization of CTD, or amendment of CTD's certificate of incorporation or bylaws, that could reasonably be expected to impede, interfere with, delay, postpone or materially adversely affect the transactions contemplated by the merger agreement. In connection with the execution of the voting agreement, the Voting Agreement Stockholders executed and delivered to Endorex and its designees an irrevocable proxy with respect to the Voting Agreement Stockholders' shares of CTD stock to vote such shares as agreed in the voting agreement.

In the voting agreement, the Voting Agreement Stockholders agreed not to grant any proxies or enter into any voting trust or agreement to vote the Voting Agreement Stockholders' shares of CTD stock and not to sell, assign, transfer, encumber, pledge, or dispose of those shares, or enter into any contract to do so. Each Voting Agreement Stockholder agreed to promptly provide notice to Endorex if that Voting Agreement Stockholder is approached or solicited by any person with respect to the foregoing or becomes aware of a proposal competing with the merger agreement. In addition, each Voting Agreement Stockholder waived its appraisal rights for its shares of CTD stock in connection with the merger.

The voting agreement and the irrevocable proxy terminate upon the earliest to occur of (a) the mutual written consent of the parties, (b) the effective time of the merger, and (c) the termination of the merger agreement according to its terms.

We encourage you to read the entire form of voting agreement, a copy of which is attached as Appendix II hereto.

ESCROW AGREEMENT

At the closing of the merger, Endorex, the CTD stockholders, and Mr. Peter Kliem, as the representative of the CTD stockholders, are required pursuant to the terms of the merger agreement to enter into an escrow agreement with Wells Fargo Bank Minnesota, National Association, as escrow agent, to place into escrow 1,350,000 of the shares of Endorex common stock to be received by the CTD Stockholders in connection with the merger. Those shares are to be held in escrow for payment of indemnification claims that Endorex may make against the CTD stockholders pursuant to the merger agreement. Under the escrow agreement, Endorex may make a request to the escrow agent for indemnification pursuant to Endorex's indemnification rights under the merger agreement. The stockholder representative has the right to dispute any such request. The escrow agent will disburse shares from the escrow pursuant to the terms of the escrow agreement when the dispute is resolved.

On each of March 31, 2002, September 30, 2002 and March 31, 2003, 674,975, 337,502 and 337,523 shares of Endorex common stock, respectively, less any shares subject to an indemnification claim or which have been distributed to Endorex pursuant to indemnification claims, will be distributed to the stockholder representative from escrow. Regardless of the terms for distribution of the escrow, Endorex and the stockholder representative may deliver a written notice to the escrow agent specifying different distribution instructions.

While any shares are being held in escrow, CTD stockholders will be entitled to exercise any voting, consent and other rights with respect to those shares and to cause the escrow agent to tender those shares pursuant to a tender or exchange offer, with any property received pursuant to any such tender or exchange being put into the escrow. All dividends, cash or other property distributed in respect of the escrow shares will become escrow property to be disbursed with the escrow shares to which the property was apportioned.

The escrow agent will have a lien on the property in escrow to secure payment for its services under the escrow agreement. The parties to the escrow agreement will agree, jointly and severally, to indemnify and hold the escrow agent harmless from any liability incurred by the escrow agent in connection with the escrow agreement and the escrowed property.

Under the terms of the escrow agreement, each of the CTD stockholders will represent and warrant to Endorex that:

- that CTD stockholder has the capacity and authority to enter into the escrow agreement, voting agreement and affiliate agreement, if applicable, or collectively the Stockholder Documents, and to perform its obligations thereunder;

- execution, delivery and performance of the Stockholder Documents and consummation of the transactions contemplated thereby will not conflict with any laws, rules, regulations, judgments, orders, permits, licenses or the like applicable to that CTD stockholder or constitute a breach or default under, conflict with or require any consent under any instrument, contract, agreement or the like to which that CTD stockholder is a party;

- the Stockholder Documents are valid and binding obligations of that CTD stockholder and are enforceable against that CTD stockholder in accordance with their terms, except as set forth in the escrow agreement;

- that CTD stockholder holds the number of shares of CTD capital stock set forth in an exhibit to the merger agreement, free and clear of any liens, claims, encumbrances and the like and restrictions on transfer, other than pursuant to state and federal securities laws; and

- that CTD stockholder will not enter into any agreement, contract or commitment requiring it to sell, transfer or otherwise dispose of any capital stock of CTD or any trust, proxy or other agreement with respect to the voting of such stock, other than the voting agreement.

In addition, CTD stockholders that are not individuals will, pursuant to the terms of the escrow agreement, represent and warrant to Endorex that:

- it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the authority under it organizational documents to enter into the Stockholder Documents, to perform its obligations thereunder and to consummate the transactions contemplated thereby;

- it has taken all organizational action necessary to enter into the Stockholder Documents, to perform its obligations thereunder and to consummate the transaction contemplated thereby; and

- the execution, delivery and performance of the Stockholder Documents and the consummation of the transactions contemplated thereby will not constitute a violation, breach or default under, conflict with or require any consent under its organizational documents.

Pursuant to the terms of the escrow agreement, each CTD stockholder will release each of CTD, Endorex and Roadrunner and their respective officers, directors, employees, affiliates, agents and the like from all claims, causes of action, debts, liabilities and demands which that CTD stockholder and its affiliates have or may thereafter have against those persons arising at or prior to the effective time of the merger, other than pursuant to the terms of the merger agreement, and will agree not to assert any claim or demand against such

persons which is released pursuant to the terms of the escrow agreement.

Under the escrow agreement, CTD stockholders will each appoint Mr. Kliem as their representative for all matters arising under the escrow agreement and will agree to indemnify and hold him harmless from any claims, demands, obligations, causes of action, loss, liability and the like in connection with his duties under the escrow agreement. The escrow agreement provides that Endorex and the escrow agent may rely upon any act of the stockholder representative as an act of the CTD Stockholders under the escrow agreement.

We encourage you to read the entire form of escrow agreement to be entered into in connection with the merger, a copy of which is attached as Appendix V hereto.

AFFILIATE AGREEMENT

Pursuant to the terms of the merger agreement, on or before August 30, 2001, each affiliate of CTD entered into an affiliate agreement with Endorex. Under each affiliate agreement, the affiliate agreed not to sell, assign or transfer any Endorex common stock, option or warrant that affiliate receives in connection with the merger unless that transaction is registered under the Securities Act or an exemption from registration is available. The affiliate acknowledged that Endorex is under no obligation to register the sale, transfer or other disposition of those shares or to take any action to make compliance with an exemption from registration available. The affiliate agreed not to sell, transfer, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or reduce its risk with respect to any Endorex securities held by it until the date upon which Endorex has filed two reports on either Form 10-KSB or 10-QSB with the SEC for any two reporting periods ended subsequent to the effective time of the merger. Finally, the affiliate acknowledged that restrictive legends will be placed on certificates representing CTD common stock it receives in connection with the merger.

EMPLOYMENT AGREEMENT

At the closing of the merger, Endorex and Dr. Colin Bier, CTD's Chairman of the board, will enter into an employment agreement pursuant to which Dr. Bier will be employed by Endorex as it Chairman of the board of directors and Chief Executive Officer. In addition, Dr. Bier will agree to serve as a director of Endorex's subsidiaries. The employment agreement is for a term of three years

and automatically renews for successive one year periods unless one of the parties elects not to renew the agreement.

Pursuant to the terms of the employment agreement, Dr. Bier will receive a base salary of at least $275,000, subject to annual review. In addition, Dr. Bier will be entitled to receive an annual bonus of up to 50% of his base salary based upon certain milestones being met. Upon entering into the employment agreement, Dr. Bier will be granted options to purchase 700,000 shares of Endorex common stock at a purchase price equal to the fair market value on the date of the grant of the options. Of those options 200,000 will vest on the date of grant, 175,000 will vest on the first anniversary of the date of the employment agreement, 175,000 will vest on the second anniversary of the date of the employment agreement, and 150,000 will vest on the third anniversary of the date of the employment agreement, each vesting being on condition that Dr. Bier is employed by Endorex on that date. Endorex will also provide Dr. Bier with medical insurance, long-term disability insurance and life insurance up to $1,000,000, in addition to other employee benefit plans and arrangements, and at least four weeks of paid vacation.

Dr. Bier will be based out of his home office in Montreal, Quebec, Canada, but will be required to spend a significant portion of his time at Endorex's principal offices. Endorex will reimburse all of Dr. Bier's expenses associated with travel between Montreal and Endorex's offices during the first 120 days of employment and thereafter in accordance with a reimbursement policy to be established by a committee of the board of directors of Endorex.

Pursuant to the terms of the employment agreement, Dr. Bier will agree to keep Endorex's proprietary information confidential. In addition, Dr. Bier will agree to disclose and assign to Endorex all intellectual property conceived or first reduced to practice by Dr. Bier while performing services under the employment agreement. The employment agreement provides that Dr. Bier will not compete with any business of Endorex during his employment and for a period of two years thereafter in any geographical area in which Endorex carries on its business, nor will he employ or solicit for employment any employee of Endorex during that period.

Endorex may terminate the employment agreement for:

- "Cause" as defined in the employment agreement;

- violation of the confidentiality or invention assignment provisions thereof; or

- physical or mental incapacity if Dr. Bier cannot perform his duties thereunder for a period of 90 consecutive days.

Dr. Bier may voluntarily terminate the employment agreement. The employment agreement will also terminate upon Dr. Bier's death. If the employment agreement is terminated other than for cause, disability, death or by Dr. Bier voluntarily for good reason, as defined in the employment agreement, which includes a change of control, then:

- Dr. Bier will be entitled to receive his base salary and a prorated bonus for a period of six months and for a subsequent six month period, subject to reduction during the subsequent period for earnings from other employment;

- Dr. Bier will be entitled to receive his benefits for those periods until other coverage is obtained;

- any unvested standard options granted to Dr. Bier will vest;

- any unvested performance options granted to Dr. Bier will, at the discretion of the board of directors, vest; and

- Dr. Bier will have one year from the date of termination to exercise his options.

CONSULTING AGREEMENT

At the closing of the merger, Endorex and Nicholas Stergiopoulos, CTD's director of corporate development, will enter into a consulting agreement pursuant to which Mr. Stergiopoulos will provide consulting services to Endorex in connection with ongoing product and business development activities related to orBec-Registered Trademark-, Orprine-TM-, Metropt-TM-, the Allergan Botox-Registered Trademark- program, the drug delivery technology from the University Pharmaceuticals of Maryland, and activities related to the business, products or services of CTD prior to the merger. The term of the consulting agreement will be for six months, during which time Mr. Stergiopoulos will be

available to provide the consulting services for an average of 40 hours per week. In consideration for rendering these consulting services, Mr. Stergiopoulos will be paid $8166.66 per month. In addition, if a licensing or asset sale of Metropt-TM- is consummated between RxEyes, a subsidiary of CTD, and a certain third party or its affiliates during the term of the consulting agreement due to the efforts of Mr. Stergiopoulos, Endorex will pay Mr. Stergiopoulos one percent of any monies directly received by Endorex as a result of that transaction.

Under the consulting agreement, Mr. Stergiopoulos will agree not to disclose any of Endorex's proprietary information during the term of the consulting agreement and for a period of two years thereafter. In addition, Mr. Stergiopoulos will agree to assign to Endorex all intellectual property made, conceived, discovered or acquired by him pursuant to the terms of the consulting agreement. The consulting agreement provides that during the term of the consulting agreement and for a period of two years thereafter, Mr. Stergiopoulos will not anywhere in the world be involved with or own any interest in any entity that develops, researches, manufactures, processes, markets, distributes or sells certain drugs or compounds that are currently part of CTD's business as specified in the consulting agreement. In addition, during the same period Mr. Stergiopoulos will agree not to employ or solicit for employment any employee of Endorex.

NONCOMPETITION AND NONSOLICITATION AGREEMENT

In connection with the closing of the merger, Endorex and Steve H. Kanzer, CTD's President and Chief Executive Officer, will enter into a noncompetition and nonsolicitation agreement pursuant to which Mr. Kanzer will agree for a period of one year not to be involved with or own any interest in any entity that develops, researches, manufactures, processes, markets, distributes or sells certain drugs or compounds that are currently part of CTD's business as specified in the agreement. In addition, during the same period Mr. Kanzer will agree not to employ or solicit for employment any employee of Endorex or to solicit business from any client or customers of Endorex. Under the terms of the agreement, Mr. Kanzer will also agree not to disclose any of Endorex's proprietary information and to assign to Endorex all intellectual property made, conceived, discovered or acquired by him pursuant to the terms of the agreement.

MARKET PRICE INFORMATION

ENDOREX MARKET PRICE INFORMATION

As of August 6, 1998, Endorex common stock started trading on the American Stock Exchange under the symbol "DOR." Prior to that, quotations for Endorex's common stock appeared on the "pink sheets" published by the National Quotations Bureau, Inc. and on the "Bulletin Board" of the National Association of Securities Dealers, Inc. The table below sets forth the high and low sales prices, as provided by the American Stock Exchange, for the period from January 1, 1999 through October 15, 2001. The amounts represent inter-dealer quotations without adjustment for retail markups, markdowns or commissions and do not represent the prices of actual transactions.

	HIGH	LOW
1999		
1st Quarter	$2.69	$1.50
2nd Quarter	$2.23	$1.50

3rd Quarter	$2.23	$1.50
4th Quarter	$2.94	$1.38
2000		
1st Quarter	$9.94	$2.50
2nd Quarter	$5.75	$1.75
3rd Quarter	$3.81	$1.81
4th Quarter	$2.81	$0.81
2001		
1st Quarter	$1.75	$0.75
2nd Quarter	$1.30	$0.76
3rd Quarter (through October 15, 2001)	$1.40	$0.85

As of October 15, 2001, Endorex had 1,401 registered common stockholders, 1 registered Series B preferred stockholder and 1 registered Series C preferred stockholder of record. Endorex currently intends to retain any earnings for use in its business and does not anticipate paying any cash dividends in the foreseeable future.

On July 31, 2001, the last trading day before the proposed merger was announced, the closing price per share of Endorex common stock on the American Stock Exchange was $1.13. On October 15, 2001, the latest practicable trading day before the printing of this joint proxy statement/prospectus, the closing price per share of Endorex common stock was $.90.

Because the market price of Endorex common stock is subject to fluctuation, the market value of the shares of Endorex common stock that holders of CTD common stock will receive in the merger may increase or decrease prior to and following the merger. We urge stockholders to obtain current market quotations for Endorex common stock. No assurance can be given as to the future prices or markets for Endorex common stock.

CTD MARKET PRICE INFORMATION

As of October 15, 2001, CTD had 37 registered common stockholders and 43 registered Series A preferred stockholders of record. CTD is unable to provide information with respect to the market price of the CTD shares of stock because there is no established trading market for them.

DESCRIPTION OF ENDOREX

THE FOLLOWING SECTION CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. ENDOREX'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS, INCLUDING THOSE SET FORTH IN "RISK FACTORS" AND ELSEWHERE IN THIS JOINT PROXY STATEMENT/PROSPECTUS.

BUSINESS

Endorex is a development stage drug delivery company incorporated in 1987 in the state of Delaware under its former name Immunotherapeutics, Inc. Immunotherapeutics was a wholly owned subsidiary of Biological Therapeutics, Inc., a North Dakota corporation formed in 1984. Biological Therapeutics commenced operations in 1985 and in 1987 was merged with and into Immunotherapeutics with Immunotherapeutics continuing as the surviving entity. The technology being developed at that time was peptide-based immunomodulators formulated in liposomes for the treatment of various types of cancer. During the period from 1987 to 1996, Immunotherapeutics was headquartered in Fargo, North

Dakota. In 1996, Immunotherapeutics changed its name to Endorex to reflect the change in direction of the company after majority ownership of Endorex was acquired by the Aries Funds, managed by Paramount Capital, Inc. A new management team, including a new president and chief executive officer, and board of directors was put in place to change the direction of Endorex. The new management team established executive offices in Lake Bluff, Illinois, a Chicago suburb, and then relocated all company operations to its new headquarters in Lake Forest, Illinois, in early 1998.

In December 1996, Endorex began to move its business into drug delivery by licensing a new drug delivery technology from the Massachusetts Institute of Technology. This new delivery technology is intended to enable the oral delivery of protein and peptide-based drugs and vaccines, which normally would be delivered via injection. This delivery system is based on novel liposomes which are polymerized, increasing the ability of the liposome to withstand the acids and enzymatic activity of the stomach and upper gastrointestinal tract and thereby protecting the protein or peptide-based drug from degradation before it can be absorbed through the stomach or intestinal lining. Endorex began development of this delivery system, called the Orasome-TM- system, in 1997.

In 1997, Endorex licensed a new cancer drug from the Wisconsin Alumni Research Foundation, the repository of new technology and intellectual property of the University of Wisconsin-Madison. This drug, perillyl alcohol, was completing phase I clinical trials in cancer patients and about to enter multiple phase II trials for different types of cancer.

In 1998, Endorex formed two drug delivery joint ventures with Elan Corporation, plc. The purpose of the first joint venture, InnoVaccines Corporation, is to research, develop and commercialize novel delivery systems for the human and veterinary vaccine markets. Innovaccines initiated evaluation of the oral and nasal delivery of a tetanus vaccine and another vaccine. The second joint venture, Endorex Newco, Ltd., focuses on the utilization of the MEDIPAD-Registered Trademark- microinfusion pump, developed by Elan, to deliver iron chelators for the treatment of a series of genetic blood disorders known as iron overload disorders.

In 1999, InnoVaccines acquired from Vaxcel, Inc. the exclusive license rights to an additional oral vaccine delivery technology and a portfolio of intellectual property owned by and invented at the Southern Research Institute, or SRI, and the University of Alabama at Birmingham, or University of Alabama. At the end of 1999, Endorex entered into a research and option agreement with Novo Nordisk A/S to develop an oral form of Novo's human growth hormone product Norditropin-Registered Trademark-, based on Novo's previous research into human growth hormone. Also in 1999, InnoVaccines licensed from Elan a tissue-targeting technology that had the potential to enhance the uptake of oral and/or nasal vaccines.

In 2000, Endorex announced that it had decided to concentrate on drug delivery, and it began the process of divesting its oncology technology and business. In addition, Newco entered into a license agreement with Schein Pharmaceutical Inc., or Schein, to develop and market the MEDIPAD-Registered Trademark- microinfusion pump to deliver an iron chelator drug for the treatment of iron overload disorders. Schein subsequently merged with Watson Pharmaceuticals Inc., or Watson. Also in 2000, InnoVaccines began evaluating SRI/University of Alabama vaccine technology for an oral tetanus vaccine together with a vaccine adjuvant.

During 2001, Newco has continued its research and development of the MEDIPAD-Registered Trademark- iron chelation product candidate. However, in May 2001, Watson indicated that it will not continue to meet the obligations

originally agreed to by Schein, although no definitive agreements have been reached by Newco and Watson for the termination of the Schein agreement. Subsequently, Watson discontinued its collaboration efforts. In light of this, Endorex and Elan are considering terminating Newco, and Newco is evaluating other commercialization partners for its iron chelation delivery system. InnoVaccines' development activities during 2001 included further evaluation of development work of the Orasome-TM- delivery system for oral and mucosal delivery of the tetanus and influenza vaccines and the development of mucosal tissue targeting technology for this delivery system. Work in this area has been focused on the PLGA microparticle system licensed from SRI. In addition, oral delivery of tetanus and influenza vaccines has been further evaluated in preclinical animal studies. Although activities to evaluate the efficacy of selected oral vaccines are still underway in InnoVaccines through research conducted by Endorex, Endorex and Elan are discussing the possible termination of InnoVaccines and the terms of such termination. On August 28, 2001, Novo Nordisk terminated the research and option agreement with Endorex.

BUSINESS STRATEGY

Endorex's objective is to be a leader in developing oral and mucosal formulations of therapeutic macromolecular and small molecule drugs currently available only by injection. Its business strategy includes entering into strategic alliances with pharmaceutical and biotech partners who have products or compounds in development that would benefit from Endorex's drug delivery technology. Endorex believes the benefit for such partners would be the creation of a new differentiated product form, which could potentially enhance patient compliance via an easier to use format, and extend its partners' product life by combining their product with Endorex's patented technology. Endorex may also look to develop its core drug delivery expertise, lipid-based systems, to create other delivery systems to enhance the therapeutic use of its partner's products. When necessary, Endorex will look to in-license and develop compatible drug delivery systems from other institutions to enhance its delivery capability and portfolio, as was done with SRI/University of Alabama. Endorex will also seek to develop its own product candidates through early clinical development and seek partnerships, joint ventures or corporate collaborations to continue later stage clinical development and commercialization.

THE DRUG DELIVERY INDUSTRY

The drug delivery industry seeks to provide new, improved or alternative methods for delivery of drugs that enhance patient compliance, quality of life and ease-of-use in taking medicines. Additionally, major pharmaceutical companies have extended the life of their effective market exclusivity periods for existing pharmaceutical products by developing new differentiated forms and obtaining new patents based upon new formulations of existing drugs that are administered via alternative methods. As the drug delivery industry has grown and become more specialized, different companies have focused on core technologies to deliver drugs in unique ways: transdermal (through the skin), nasal (through the nasal passages), implant (delayed release of injections for weeks or months at a time), and oral (either liquid, pills, or a spray into the mouth) delivery comprise some of the new delivery pathways. Generally, the regulatory hurdles for approval of a drug delivery system are less stringent than that of a new chemical entity or new pharmaceutical product because most drug delivery companies look at

delivering already approved and marketed drugs where the safety and efficacy of the drug has been established.

One of the most difficult challenges of drug delivery has been to deliver macromolecular drugs, the chemical structure of which is much larger than

traditional "small molecule" drugs. These drugs are based on peptides or proteins and today are primarily available in only injectable form, although there are companies testing pulmonary, nasal, and transdermal delivery of these drugs to humans. Injectable therapy has two major limitations. First, many patients find injectable therapies unpleasant due to the pain associated with the injection. When injectable therapy is necessary for chronic and subchronic diseases, patient compliance often decreases. Poor acceptance and compliance can lead to higher health costs due to an increase in medical complications. Second, studies from the Center for Disease Control have demonstrated that the vaccine itself is often a small part of the total cost of administering the treatment, which includes paying medical personnel to administer the injection, the cost of the syringe, the cost to dispose of the syringe, and the like.

While all of these new delivery options offer advantages for the patient over the traditional injectable format, oral delivery is the patient-preferred format due to simplicity of use. However, from a technical perspective oral delivery of this class of drugs has been extremely difficult, due to low bioavailability of oral delivery systems to date versus the injectable version and the fragility of these drugs resulting in their inability to withstand transit through the stomach and upper gastrointestinal tract intact without degradation destroying a therapeutic effect of the drug.

ENDOREX'S ORAL AND NASAL DRUG AND VACCINE DELIVERY TECHNOLOGY

Endorex is developing core lipid-based technology for a new generation of drugs and vaccines that may be taken by mouth, thereby replacing painful injections and increasing patient compliance. Endorex's proprietary oral and nasal drug delivery technology could potentially convert injectable-only therapy into the patient preferred oral therapy format. This conversion process includes encapsulating protein and/or peptide-based (large molecule or macromolecular) drugs for oral delivery using proprietary patented technology developed internally by Endorex and from the Massachusetts Institute of Technology. Many vaccines and macromolecular drugs are exceptionally fragile and thus cannot survive the digestive process of the gastrointestinal tract. By employing proprietary lipid drug delivery systems that utilize specially engineered, polymerized lipids and liposomes that can encapsulate proteins or peptide-based vaccines and drugs, many of these agents might be made orally available at therapeutic levels. Applications of this technology under development by Endorex could enable preparation of oral formulations of peptide hormones, such as insulin and human growth hormone, other sensitive peptide drugs and proteins, and nucleic acids. Virtually all of these compounds are currently given to patients solely via injection.

As estimated by the investment banking firm of S. G. Cowen and Company, expected sales of protein and peptide based injectable drugs could reach $18.5 billion in 2001, and includes such drug categories as monoclonal antibodies, insulin, growth factors, vaccines, colony stimulating factors, hormones, and the like.

Endorex's lipid based drug delivery systems represent a series of improvements in encapsulation technology resulting in properties that may enable efficient uptake by crucial cells in the gastrointestinal tract. Because of the unique ability of polymerized lipids and liposomes to withstand the activity of bile salts, digestive enzymes, and gastric acids, this proprietary technology may be utilized practically and commercially for the oral delivery of many therapeutics, including both water soluble and water insoluble drugs.

These polymerized lipids and liposomes encapsulate fragile drugs and hold them within a membrane envelope that is resistant to the environmental stress of the gastrointestinal tract. Lipids and liposomes can also be engineered to release their contents in a controlled fashion and to contain surface ligands, or biological "magnets," capable of targeting specific receptors in the

intestine and

other tissues. By comparison, conventional liposomes and lipids appear to be chemically and physically unstable and tend to be unsuitable for oral delivery because they degrade rapidly upon introduction into the gastrointestinal tract. If the encapsulated drug or vaccine is released into this environment, the active material is destroyed and the therapeutic effect negated. In vitro studies with Endorex's lipid systems, including studies with polymerized liposomes as the type of lipid, have demonstrated high stability under harsh conditions similar to conditions found in the human intestinal tract, such as exposure to acidic pH, simulated bile salts, and detergents.

Conventional lipid and liposomal formulations have been scaled up and manufactured commercially by others. Examples of such formulations include the cancer drugs liposomal doxorubicin and liposomal daunorubicin as well as the anti-fungal agent liposomal amphotericin B, which have been approved by the FDA and are currently being marketed.

Endorex believes that its lipid based drug delivery systems comprise a platform technology that has the potential to satisfy a number of criteria necessary for a successful drug delivery system, including:

- flexibility for incorporating numerous drug and vaccine types (both water soluble and insoluble drugs, as well as drugs of various molecular weight ranges and size);

- stability of the drug or vaccine through the gastrointestinal tract;

- enhanced mucosal uptake of the drug or vaccine;

- compatibility of the delivery system with current manufacturing techniques; and

- no apparent toxicity of the lipids in animal studies to date.

Endorex has demonstrated the bioavailability and bioactivity of selected drugs when delivered using these lipids in animal models as well as the stimulation of an appropriate and acceptable immune response to selected orally delivered vaccines in similar animal models. Human growth hormone and insulin are two of the selected drugs Endorex has tested in conjunction with these lipid drug delivery systems on animal models. Endorex believes that oral versions of protein and peptide based drugs could provide product differentiation, convenience and improved compliance. Daily oral delivery could offer an attractive alternative to multiple weekly injections or slow release formulations, particularly for chronic therapies.

During 2000, advances in Endorex's liposome technology were made in process development, scale up and initial toxicology studies. A key criterion for initiating clinical trials is production of batches of product and obtaining batch to batch consistency of results for quantities sufficient for clinical trials. This objective was achieved during 2000 as were enhancements in loading the drug "payload" (amount of the drug to be encapsulated in the lipids). Additionally, recent toxicology data suggests that these liposomes do not cause genetic mutations in animals, which is a key test required by the FDA. Endorex believes that additional toxicology testing necessary to demonstrate the safety of this technology, and therefore required for initiating phase I clinical trials, will be completed during 2001. Also during 2000 and early 2001, 4 patents on the drugs and drug delivery technology were issued to Endorex and its licensors in the United States. Endorex's drug and vaccine delivery intellectual property portfolio now includes 11 United States patents and more than 45

patents issued in other countries, which are owned or licensed to Endorex.

PRODUCT CANDIDATES CURRENTLY IN DEVELOPMENT

PRODUCT CANDIDATE	THERAPEUTIC AREA	DEVELOPMENT STATUS	PART
Oral insulin	Diabetes	Preclinical	Self deve
Oral human growth hormone	Growth disorders	Preclinical	Self deve
Oral tetanus vaccine	Infectious diseases	Preclinical	Elan Corp
Intranasal tetanus vaccine	Infectious diseases	Preclinical	Elan Corp
Oral influenza vaccine	Infectious diseases	Preclinical	Elan Corp
MEDIPAD-Registered Trademark- iron chelator (drug undisclosed)	Iron overload disorders (Beta-thalassemia & sickle cell anemia)	Preclinical	Watson Ph Corporati

DIABETES

ORAL INSULIN

According to the International Diabetes Federation, in 1998 approximately 143 million people suffered form diabetes throughout the world, of which approximately 10%, or 14.3 million, are Type 1 diabetics. Type 1 diabetics are insulin-dependent and require regular insulin therapy. The International Diabetes Federation expects the number of diabetics to reach 300 million by the year 2025. IMS estimated that sales of insulin in the United States during 2000 were approximately $1.1 billion. Currently, Novo Nordisk, Eli Lilly, Aventis and a number of smaller companies market insulin. Insulin currently is available only in an injectable format requiring insulin-dependent diabetics to receive one or more injections daily. Insulin is a peptide with a molecular weight of approximately 6 kilodaltons, considerably smaller than human growth hormone which is approximately 22 kilodaltons in size, and as a result insulin is easier to deliver orally than peptides that have greater molecular weight. During 2001, Endorex began evaluating an oral formulation of insulin in rodent models using Endorex's lipid-based delivery systems, including the Orasome-TM- delivery system. The purpose of such evaluations is to determine the efficacy of this oral formulation in reducing blood glucose levels as well as the bioavailablility of insulin delivered via Endorex's lipid-based delivery systems.

GROWTH DISORDERS

ORAL HUMAN GROWTH HORMONE

Worldwide sales of human growth hormone were estimated by S.G. Cowen to be about $.9 billion for 2001. This injectable product is marketed by 5 major pharmaceutical companies. Recently, Genentech introduced to the market an implantable human growth hormone product which still requires periodic injections, but reduces the number of injections needed. At the end of 1999, Endorex signed a research and option agreement with Novo Nordisk to evaluate the oral delivery of Novo's brand of human growth hormone Norditropin-Registered Trademark-. During 2000 and early 2001, Endorex tested

oral versions of different formulations of human growth hormone in two animal models (mice and rats) and improved its process for scale-up manufacturing and loading human growth hormone into lipids. Subsequently, on August 28, 2001, Novo Nordisk terminated the research and option agreement.

INFECTIOUS DISEASES

ORAL VACCINES

According to a Frost & Sullivan market research report on human vaccines, the worldwide vaccine market was projected at $7 billion in 2001. In order to participate in this market with new delivery alternatives, in 1998 Endorex established InnoVaccines Corporation, a joint venture, with Elan Corporation for the research, development and commercialization of oral and mucosal vaccines.

During the last three years, InnoVaccines has been evaluating two vaccine delivery systems for oral and intranasal delivery. Additionally, in 1999 InnoVaccines acquired the rights to an additional oral vaccine delivery technology. Elan also has added targeting technology to the joint venture for targeting vaccines to key mucosal sites. InnoVaccines has worked on the screening and identification of key ligands (biological "magnets" or "hooks") to attach to the surface of the Orasomes and has performed further in vivo work on the Orasomes and a tetanus vaccine candidate with the addition of various vaccine adjuvants for oral and nasal delivery. InnoVaccines and SRI also worked together to separately encapsulate a tetanus vaccine and an influenza vaccine in another delivery system, also incorporating an adjuvant. InnoVaccines development activities during 2001 have included further evaluation of development work of the Orasome-TM- delivery system for oral and mucosal delivery of the tetanus and influenza vaccines and the development of mucosal tissue targeting technology for this delivery system. Endorex and Elan are currently discussing the termination of InnoVaccines and the terms of such termination.

IRON OVERLOAD DISORDERS

It is estimated by Cooley's Anemia Society that 4.5% of all humans have a hemoglobin or thalassemia mutation. It is also estimated by Cooley's Anemia Society that one million Americans are afflicted with hereditary hemochromatosis. These genetic blood diseases are all related to the body absorbing too much iron. Iron overload occurs because the defective gene interferes with the normal function of the intestinal lining and allows too much iron to pass through to the bloodstream, where it is carried to certain organs that are sensitive to it, especially the liver. An overload of iron causes inflammation, which damages the organs. Hemochromatosis is the more mild form of this disease while Beta-Thalassemia is the severe form impacting those in early childhood and requiring frequent blood transfusions. The only approved therapy today is iron chelation requiring continuous infusions with standard infusion pumps. Continuous infusion is required for 8-12 hours per day, 5-7 days per week in Beta-Thalassemia patients. Cooley's Anemia Society estimates that there are more than 175,000 Beta-Thalassemia patients around the world and approximately 10,000 in the United States. Because of the difficulties in complying with the rigors of the current therapy and conventional infusion pumps, many patients are not adequately treated. The average life span of Beta-Thalessemia patients is only 30 years. In October 1998, Endorex established a second joint venture with Elan, Endorex Newco, Ltd., to research, develop and commercialize the MEDIPAD-Registered Trademark- drug delivery system for delivering iron chelators to treat iron overload disorders.

MEDIPAD-Registered Trademark- is Elan's unique microinfusion pump designed for the subcutaneous delivery of selected drugs that require continuous infusion

via pump. Each MEDIPAD-Registered Trademark- is a low cost, disposable drug delivery device with an adhesive backing. Its light weight enables it to be worn in a manner similar to a transdermal patch. MEDIPAD-Registered Trademark- is expected to replace conventional infusion pumps, which are expensive and cumbersome. While conventional pumps impede patient compliance, Endorex believes MEDIPAD-Registered Trademark- will improve patient compliance.

THE WATSON PHARMACEUTICALS (SCHEIN PHARMACEUTICAL) AGREEMENT

In February 2000, Newco entered into a ten-year exclusive worldwide license, development, and supply agreement with Schein to develop and commercialize MEDIPAD-Registered Trademark- in combination with a Schein iron chelator. Pursuant to that agreement, Schein committed to market this product in the United States. Subsequent to the date of the agreement, Watson acquired Schein.

Under the agreement, Newco is responsible for development of the MEDIPAD-Registered Trademark- delivery system for use with Watson's iron chelator product in accordance with product specifications as defined jointly by Newco and Watson. Watson is responsible for the development, sourcing and supply of the iron chelator compound and for the packaging, selling and distribution of the MEDIPAD-Registered Trademark-/iron chelator in the United States. Subject to approval of Newco, Watson may sublicense commercialization of the MEDIPAD-Registered Trademark-/iron chelator product in countries outside of the United States. In May 2001, Watson

indicated that it will not continue to meet the obligations originally agreed to by Schein, although no definitive agreements have been reached by Newco and Watson for the termination of the Schein agreement. Subsequently, Watson discontinued its collaboration efforts. As a result, Newco is evaluating other commercialization partners for its iron chelation delivery system. Endorex and Elan are also discussing the termination of Newco and the terms of such termination. If Endorex and Elan terminate Newco, Newco may lose its rights to the MEDIPAD-Registered Trademark- technology.

ONCOLOGY PROGRAM

On March 1, 2000 Endorex announced its decision to divest its oncology business in favor of focusing on the development of its drug delivery business, in spite of several active phase I and II trials with its two oncology drugs, perillyl alcohol and ImmTher-Registered Trademark-. Further development of the oncology business would require a substantial increase in investment in product development and human resources at a time when Endorex is facing a similar requirement in its drug delivery business that has already attracted initial partners. While oncology had been Endorex's focus for many years prior to 2000, to be a serious participant in this highly competitive arena would require a significant restructuring of its business and significantly higher financial resources. Endorex has continued to maintain clinical trial activity with both drugs due to the interest and the significant financial sponsorship by many of the participating institutions and hospitals. Endorex has continued to provide these institutions with a clinical drug supply and keep current stability work on the drugs. Endorex's efforts to divest this business in 2000 resulted in the sale of an exclusive option to purchase the assets of one of the drugs for $250,000. An asset purchase agreement was also negotiated. However, the option was not exercised by the end of the option period. Endorex continues to look at various strategies to divest its oncology business. This is not currently an active business segment for Endorex and Endorex does not plan to expend significant funds in this area. Endorex may completely eliminate this business in 2001.

COMPETITION

Endorex's success as a drug delivery company depends upon maintaining a competitive position in the oral and mucosal delivery of protein and peptide-based drugs and obtaining additional patents. Although several alternative delivery systems have emerged for protein and peptide- based drugs, including implants, transdermal, pulmonary, nasal, and oral, Endorex believes there are sufficient products in this class of drugs to represent substantial commercial opportunities. S.G. Cowens & Co. estimates that the worldwide sales for protein and peptide-based drugs in 2001 will be approximately $18.5 billion. Likewise, the number of pharmaceutical and biotech potential partners for this class of drugs is large and expected to grow. Endorex expects that the "Genomics Revolution" will produce even more protein-based drugs with delivery challenges.

The biotechnology industry is intensely competitive, subject to rapid change and sensitive to new product introductions or enhancements. Competitors may develop competing technologies and obtain government approval for products before Endorex does. Virtually all of Endorex's existing competitors have greater financial resources, larger technical staffs, and larger research budgets than Endorex has, as well as greater experience in developing products and conducting clinical trials. Furthermore, Endorex's current and future corporate partners and collaborators may compete against Endorex. Endorex's competitors in the field of oral and nasal delivery of protein and peptide-based drugs include Emisphere Technologies, which has started phase III trials for oral heparin and phase I trials with oral calcitonin and oral insulin (through its collaborator Novartis); Unigene Laboratories, which has an oral calcitonin product in phase I/II trials; Nobex Corp. (formerly known as Protein Delivery) which has an oral insulin in phase II trials; and Generex which has an oral insulin spray in phase I trials. Endorex's competitors in the vaccine delivery field include Aviron, which is developing a nasal flu vaccine that is in phase III clinical trials, I.D. Biomedical, which is in phase I and II trials with an intranasal flu vaccine and another vaccine, specialized biotechnology firms, universities, and governmental agencies.

Endorex's competitors in the liposomal formulation field include The Liposome Company (owned by Elan Corporation), NexStar (owned by Gilead Sciences, Inc.) and Sequus (owned by ALZA Corporation). In addition, there may be other companies which are currently developing competitive technologies and products or which may in the future develop technologies and products that are comparable or superior to Endorex's technologies and products.

GOVERNMENT REGULATION

Prior to marketing, each of Endorex's products must undergo an extensive regulatory approval process conducted by the FDA and applicable agencies in other countries. Testing, manufacturing, commercialization, advertising, promotion, export and marketing, among other things, of the proposed products are subject to extensive regulation by government authorities in the United States and other countries. All products must go through a series of tests, including advanced human clinical trials, which the FDA is allowed to suspend as it deems necessary.

PATENTS AND OTHER PROPRIETARY RIGHTS

Endorex relies on patent rights, trade secrets and nondisclosure agreements to establish and protect its proprietary rights to its technologies. Despite these precautions, it may be possible for unauthorized third parties to utilize Endorex's technology, to obtain and use information that Endorex regards as proprietary, to design around Endorex's proprietary rights, or to create superior competing technologies. The laws of some foreign countries do not

protect Endorex's proprietary rights in processes and products to the same extent as the laws of the United States.

Endorex currently has four issued drug delivery patents in the United States relating to the Orasome-TM- drug delivery system, of which three were original inventions of the Massachusetts Institute of Technology and the fourth was issued to Endorex in February 2001. Endorex's patents issued in the United States expire between 2015 and 2021. InnoVaccines has licensed the rights to a series of vaccine delivery patents from SRI, seven of which were issued in the United States and over 45 of which were issued outside the United States. Additionally, Endorex has four United States patents relating to muramyldipeptide products, as well as several foreign counterparts.

RESEARCH AND DEVELOPMENT EXPENSE

Research and development expenditures were approximately $1.0 million for the year ended December 31, 2000 and $2.0 million for the year ended December 31, 1999, and $1.2 million for the sixth months ended June 30, 2001 and $0.5 million for the six months ended June 30, 2000. As a development stage company, the research and development expenditures have not been borne by customers of Endorex.

EMPLOYEES

As of October 15, 2001 Endorex had 22 employees, 18 of which are full-time employees, including six Ph.D.s, one M.D. and six masters-level employees. Endorex plans to increase this level to approximately 25 employees by the end of 2001 to expand its drug delivery research and development team.

SCIENTIFIC ADVISORY BOARD

Endorex utilizes a Scientific Advisory Board consisting of members who are prominent researchers and academics in their fields. Scientific Advisory Board Co-Chairman Dr. Robert Langer, Sc.D., is recognized as a leading expert on drug delivery technology, is a member of three National Academies (Sciences, Medicine and Engineering), holds 265 patents and has authored over 500 articles. Dr. Langer is a Professor of Biomedical and Chemical Engineering and is co-inventor of the Orasome technology. Scientific Advisory Board Co-Chairman Dr. Henry Brem, M.D., is a Professor of

Neurology, Ophthalmology and Oncology at Johns Hopkins University. Drs. Langer and Brem have significant involvement with Endorex as advisors, consultants and stockholders.

FACILITIES

Endorex's executive offices and research and development center are located in a leased facility of approximately 7,500 square feet in Lake Forest, Illinois. The lease expires on December 31, 2003. Endorex believes that their current leased facilities are sufficient to meet their current needs, but may not be sufficient for the foreseeable future and that suitable additional laboratory space may not be available if and as needed.

LEGAL PROCEEDINGS

Endorex is not a party to any legal proceedings.

ENDOREX MANAGEMENT'S DISCUSSION AND

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION AND ANALYSIS PROVIDES INFORMATION THAT ENDOREX BELIEVES IS RELEVANT TO AN ASSESSMENT AND UNDERSTANDING OF ITS RESULTS OF OPERATION AND FINANCIAL CONDITION. YOU SHOULD READ THIS ANALYSIS IN CONJUNCTION WITH OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO CONTAINED ELSEWHERE IN THIS JOINT PROXY STATEMENT/PROSPECTUS. THIS REPORT CONTAINS STATEMENTS OF A FORWARD-LOOKING NATURE RELATING TO FUTURE EVENTS OR ENDOREX'S FUTURE FINANCIAL PERFORMANCE. THESE STATEMENTS ARE ONLY PREDICTIONS AND ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY. IN EVALUATING SUCH STATEMENTS, YOU SHOULD CAREFULLY CONSIDER THE VARIOUS FACTORS IDENTIFIED IN THIS JOINT PROXY STATEMENT/PROSPECTUS WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED IN ANY FORWARD-LOOKING STATEMENTS, INCLUDING THOSE SET FORTH IN "RISK FACTORS" IN THIS JOINT PROXY STATEMENT/PROSPECTUS.

PLAN OF OPERATION

Endorex has been focusing its efforts on oral delivery of macromolecular drugs which are currently available commercially only in an injectable format. Most of Endorex's efforts have focused on the higher molecular weight drugs, generally 20 kilodaltons, or kd, or above. Examples of these types of drugs include vaccines, which generally range from 50 to 100 kd, and human growth hormone, which is 22 kd. This contrasts with traditional orally delivered drugs, most of which are small molecule drugs with molecular weights under .5 kd and for which oral delivery is generally much easier. Endorex's competition is mainly in the area of oral delivery of macromolecular drugs, focusing on drugs ranging from .5 to 10 kd, such as peptides, while most of Endorex's work has focused on protein-based drugs ranging above 10 kd.

Endorex is currently in the process of shifting its business strategy, research and development and technology focus to include the oral delivery of small molecule drugs. Over the next 12 months Endorex plans to continue to shift its focus to evaluate its delivery systems for oral delivery of drugs in the lower macromolecular weight range as well as oral delivery of other classes of drugs not currently available in oral formulations. A large number of small molecule drugs also present delivery challenges, particularly water insoluble drugs, such as drugs used for chemotherapy and immunosuppressant drugs. Endorex expects to evaluate a number of such drugs to identify those that are compatible with its oral drug delivery systems and which it may decide to take into human clinical trials in the future.

Endorex's proposed acquisition of CTD fits strategically with Endorex's business plans, as CTD has acquired and is developing new formulations of small molecule ACEs for new proprietary therapeutic uses. Its two lead drug candidates are in human clinical trials, including orBec-TM-, for which CTD has initiated a multicenter phase III trial in the United States. Endorex envisions that CTD's product candidates will become its key products, with Endorex's proprietary oral delivery systems potentially allowing the oral delivery of such products.

Endorex may assemble a small sales and marketing group to directly market these product candidates in the United States since the initial product indications are for niche markets with limited number of specialists (requiring a small but targeted sales force), such as organ transplant specialists and hematologists. With its own sales force, Endorex could potentially capture more of the product revenue stream than it would by using a sales and marketing partner.

Endorex believes the cash of the combined companies is sufficient to fund operations and the research and development of certain key product candidates and programs of the combined companies for the next 24 months. Endorex expects that it will need to seek additional funding for the development of the drugs for additional therapeutic indications for larger market segments and diseases

with greater prevalence, particularly in the area of gastrointestinal disorders. Endorex will seek to prioritize the research and development programs of the combined companies after the merger to best

utilize the combined assets of the companies. Endorex will also seek to reduce and eliminate duplicative administrative expenses between the companies after the merger.

Endorex may need to expand its current facilities and is currently exploring the possibility leasing additional space adjacent to its existing facility. Endorex is also investigating the possibility of conducting animal testing in-house which may result in cost savings over using third party contractors. This may also provide Endorex with greater control over the testing. Endorex plans to continue to contract out its manufacturing needs to FDA-certified contract manufacturers.

The acquisition of CTD may require Endorex to enhance its regulatory, clinical development and manufacturing skills by either hiring additional employees or hiring specialized consultants to assist the combined company over the next 12 months. Endorex may also hire additional scientists over the next 12 months.

Endorex is currently discussing the termination of its two joint ventures with Elan and expects to determine the status of these joint ventures by the end of 2001. Endorex is also exploring other commercial collaborations with Elan, including the possibility of licensing the MEDIPAD-Registered Trademark- technology from Elan. Watson has indicated its desire to terminate the existing license agreement with Newco for the iron chelation delivery project and is in discussions with Endorex regarding the terms of such termination. Additionally, on August 28, 2001, Novo Nordisk terminated the research and option agreement with Endorex.

RESULTS OF OPERATIONS

SIX-MONTH PERIODS ENDED JUNE 30, 2001 AND 2000

RESEARCH AND DEVELOPMENT EXPENSES. Research and development, or R&D, expenses, for the six month period ended June 30, 2001 were $1,171,494, a 150 percent increase when compared with R&D expenses of $468,193 for the corresponding period ended June 30, 2000. This increase in R&D expenses was due to the hiring of additional R&D personnel and expansion of proprietary pre-clinical R&D drug delivery activities during 2001.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the six month period ended June 30, 2001 were $908,269 compared to $981,521 for the same period ended June 30, 2000, an 8 percent decrease. General and administrative expenses during the period ended June 30, 2001 were lower because additional legal and accounting expenses as well as the payment of SEC filing fees related to the Company's private placement were incurred during the same period in 2000.

OPERATING EXPENSES. Operating expenses of $2,079,763 for the six month period ended June 30, 2001 increased 44 percent compared to $1,449,714 for the same period last year, due primarily to the increased spending in R&D pre-clinical drug delivery activities during 2001.

EQUITY LOSSES IN JOINT VENTURES. Equity losses in joint ventures for the six months ended June 30, 2001 were $577,661 compared with losses of $1,578,856 during the same period in 2000, a 63 percent decrease. These losses pertain to the two joint ventures with Elan. Endorex's share of the research, development

and business expenditures of these joint ventures is recorded as equity losses in joint ventures. The decrease in expenses represents a reduction of activities in each joint venture due to the possible termination of each.

INTEREST INCOME. Interest income for the six months ended June 30, 2001 of $294,686 decreased 8 percent compared to $320,965 for the same period last year, reflecting a reduction in interest rates as well as a reduction in the cash available for investment in 2001.

INTEREST EXPENSE. Interest expense increased to $27,320, or 16 percent, during the six months ended June 30, 2001 from $23,019 for the same period during 2001. The increase in interest expense was due to increased interest payments under a line of credit with Finova Technology Finance, Inc.

NET LOSS. Net loss for the six months ended June 30, 2001 of $3,128,777 decreased 9 percent from a net loss of $3,418,002 for the same period in 2000. The decrease in net loss year to date versus the prior year period reflects an overall decrease in joint venture research and development activities as Endorex redirected its activities towards more proprietary drug delivery research and development. Additionally, net loss decreased during the first six months of 2001 due to a reduction in expenses because Endorex incurred additional expenses in connection with its private placement during the first six months of 2000.

YEARS ENDED DECEMBER 31, 2000 AND 1999

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses for the twelve months ended December 31, 2000 were $956,742 as compared to $2,028,945 for the twelve months ended December 31, 1999, a decrease of 53 percent. Approximately $700,000 of this decrease was due to reduced research and development expenses in 2000 related to Endorex's decision to divest its oncology business. The remaining decrease was due to reductions in personnel expenditures (salaries, benefits, travel) related to managing the oncology business.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the twelve months ended December 31, 2000 were $2,101,767 as compared to $3,046,684 for the twelve months ended December 31, 1999, a decrease of 31 percent. This decrease was primarily due to completion of amortization of the fair value of warrants issued in connection with financial advisory agreements of approximately $1,300,000. The warrants, which were amortized over a two-year period, were fully amortized by the end of the third quarter of 1999. The decrease was partially offset by increased legal fees of approximately $100,000 and accounting fees of approximately $200,000 during 2000.

OPERATING EXPENSES. Operating expenses of $3,058,509 for fiscal year 2000 decreased 40 percent compared to $5,075,629 for fiscal year 1999, due primarily to reduced costs related to the decision to divest the oncology business and the full amortization of the warrants during 1999.

EQUITY LOSSES IN JOINT VENTURES. Equity losses in joint ventures for the year ended December 31, 2000 were $2,682,368 compared with losses of $2,865,908 for the year ended December 31, 1999, a decrease of 6 percent. The decrease in equity losses in joint ventures from 1999 to 2000 was due to a decrease in research and development activities in Newco and costs related thereto.

OTHER INCOME. Other income increased to $250,000 in 2000 from $3,790 in 1999 due to the sale of the option to purchase a portion of Endorex's oncology business assets.

INTEREST INCOME. Interest income for the twelve months December 31, 2000

was $747,073 as compared to $488,582 for the twelve months ended December 31, 1999, an increase of 53 percent. This increase was primarily due to interest from the investment of the net proceeds from Endorex's April 2000 private placement.

INTEREST EXPENSE. Interest expense remained constant at $51,889 for fiscal year 2000 compared to $51,854 for fiscal year 1999.

NET LOSS. For the twelve months ended December 31, 2000, Endorex had a net loss applicable to common stockholders of $6,177,893 as compared to $8,786,432 for the twelve months ended December 31, 1999, a decrease of 30 percent. Net loss applicable to common stockholders included the impact of preferred stock dividends, which totaled $1,382,200 in 2000, as compared to $1,285,413 in 1999. Reductions in operating expenses from $5,075,629 in 1999 to $3,058,509 in 2000 contributed significantly to the reduction in net loss. Additionally in 2000, equity losses from Endorex's two joint ventures with Elan were $2,682,368 as compared to $2,865,908 for 1999. Other factors contributing to the reduction in net loss for 2000 were an increase in interest income from $488,582 in 1999 to $747,073 in 2000, and the sale of an option to purchase some of Endorex's oncology assets, which has subsequently expired.

ENDOREX'S MANAGEMENT AND EXECUTIVE COMPENSATION

DIRECTORS AND EXECUTIVE OFFICERS

NAME	AGE	POSITION(S) HELD
Kenneth Tempero	62	Chairman of the Board
Michael S. Rosen	49	President, Chief Executive Officer and
Steven J. Koulogeorge	42	Controller, Assistant Secretary and Ass Treasurer
John McCracken	49	Vice President, Business Development
Panayiotis P. Constantinides	49	Vice President, Research and Developmen
Richard Dunning	55	Director
Steve H. Kanzer	37	Director
Paul D. Rubin	47	Director
H. Laurence Shaw	55	Director
Steven Thornton	44	Director

KENNETH TEMPERO, M.D., Ph.D., M.B.A., 62, was elected Chairman of the Endorex board of directors in May 1999 and has served as a member of the board of directors since September 1996. Since April 1996, Dr. Tempero has been a principal at KTC, Inc., a consulting company. Prior thereto, he served as Chairman and Chief Executive Officer of MGI PHARMA, Inc., a company that focuses on the development and sale of cancer therapeutics and related products. From November 1983 to August 1987, Dr. Tempero held various positions with G.D. Searle & Co., a pharmaceutical company, most recently as Senior Vice President

of Research and Development. Dr. Tempero holds M.S. and Ph.D. degrees in Pharmacology from Northwestern University, an M.D. in Medicine and Surgery from Northwestern University and an M.B.A. in Pharmaceutical Marketing from Fairleigh Dickinson University.

MICHAEL S. ROSEN, M.B.A., 49, has served as President, Chief Executive Officer and a member of the board of directors since August 1996. From January 1995 until August 1996, he was President and Chief Executive Officer of PharmaMar, S.A., a European biotechnology company. From June 1991 until January 1995, Mr. Rosen was General Manager of the northern Latin American businesses for Monsanto Company, a multinational chemical/pharmaceutical company. Mr. Rosen received a B.A. in Sociology/International Relations from Beloit College and an M.B.A. in International Business from the University of Miami. He has undertaken post-graduate courses at Northwestern University and Sophia University in Tokyo, Japan.

STEVEN J. KOULOGEORGE, M.B.A., C.P.A., 42, has served as Controller, Assistant Secretary and Assistant Treasurer since September 2000. From 1983 to 1997, Mr. Koulogeorge held several accounting and finance positions with Kraft General Foods, the last of which was Director of Finance at Alliant Foodservice. From 1997 to 2000, Mr. Koulogeorge held several positions with Illinois Tool Works, including Controller of the Industrial Finishing unit. Mr. Koulogeorge received his B.S. in Finance from Drake University and received his M.B.A in Finance from DePaul University. Mr. Koulogeorge is also a Certified Public Accountant in the State of Illinois.

JOHN MCCRACKEN, M.B.A., 49, has served as Vice President, Business Development since February 2001. From 1999 to 2000, Mr. McCracken was Global Operations Director of Life Cycle Management at Pharmacia Corporation, where he directed product life cycle initiatives with global commercial focus, including commercial assessment of drug delivery systems. From 1981 to 1999, Mr. McCracken directed business initiatives for G.D. Searle where he held several executive positions ranging from Director of International Operations, Senior Director and Assistant to the President and

CEO to his last position as Managing Director for Global Operations. Mr. McCracken received his B.A. in Economics from Carleton College and earned his M.B.A. in Finance and Accounting from Northwestern University.

PANAYIOTIS P. CONSTANTINIDES, Ph.D., 49, has served as Vice President, Research and Development since January 2001. From 1997 until joining Endorex, Dr. Constantinides was Director of Research at SONUS Pharmaceuticals, where he was responsible for building the company's drug delivery program. From 1995 to 1997, Dr. Constantinides was the Section Head of Formulation Development for Abbott Laboratories' Pharmaceutical Products Division. Dr. Constantinides received a University Diploma in Chemistry from the National and Kapodistrian University and a Ph.D. in Biochemistry from Brown University. He then completed a postdoctoral fellowship in Pharmacology at Yale University and continued as an Associate Research Scientist in the Comprehensive Cancer Center of Yale University School of Medicine. Dr. Constantinides has written 36 publications and filed numerous patents that deal with physicochemical and biopharmaceutical aspects of surfactant micelles, liposomes, emulsions and self-emulsifying drug delivery systems.

RICHARD DUNNING, 55, has served as a member of the board of directors of Endorex since August 1997. He has been Chairman and Chief Executive Officer of Nexell Therapeutics Inc. since May 1999. Prior to that, he was President and Chief Executive Officer of Nexell since April 1996. Nexell, formerly known as VIMRX Pharmaceuticals Inc., is the leading developer and marketer of innovative diagnostics and ex vivo cell therapies for cancer, autoimmune, metabolic and

genetic diseases. Prior to joining Nexell, Mr. Dunning played an instrumental role in the formation of The DuPont Merck Pharmaceutical Company and acted as that organization's Executive Vice President and Chief Financial Officer from 1991 to 1995. Mr. Dunning received a B.S. in Economics and an M.B.A. in Finance from the University of Delaware.

STEVE H. KANZER, C.P.A., Esq., 37, has served as a member of the board of directors since June 1996. Since December 1997, Mr. Kanzer has been President and Chief Executive Officer of Corporate Technology Development, Inc. Since December 2000, Mr. Kanzer has also been Chairman, Chief Executive Officer and President of Accredited Equities, Inc., a venture capital and investment banking firm based in Miami, and President of several private biopharmaceutical companies also based in Miami. From 1992 until December 1998, Mr. Kanzer was a founder and Senior Managing Director of Paramount Capital, Inc., an investment bank specializing in the biotechnology and biopharmaceutical industries, and Senior Managing Director--Head of Venture Capital of Paramount Capital Investments, LLC, a biotechnology and biopharmaceutical venture capital and merchant banking firm that is affiliated with Paramount Capital, Inc. From 1993 until June 1998, Mr. Kanzer was a founder and a member of the board of directors of Boston Life Sciences, Inc., a publicly traded pharmaceutical research and development company. From 1994 until June 2000, Mr. Kanzer was a founder and Chairman of Discovery Laboratories, Inc., a publicly traded pharmaceutical research and development company. Mr. Kanzer is a member of the board of directors of Atlantic Technology Ventures, Inc., a publicly traded pharmaceutical research and development company. Prior to joining Paramount Capital, Inc., Mr. Kanzer was an attorney with Skadden, Arps, Slate, Meagher & Flom LLP in New York, New York from September 1988 to October 1991. He received his J.D. from New York University School of Law in 1988 and a B.B.A. in Accounting from Baruch College in 1985. Mr. Kanzer is a nominee of the Aries Domestic Fund, LP and the Aries Master Fund II to Endorex's board of directors. Aries Domestic Fund, L.P. and Aries Master Fund II subsequently transferred their right to nominate a member of the board of directors of Endorex to Aries Select, Ltd. and Aries Select I LLC. Both Aries Select, Ltd. and Aries Select I LLC are affiliates of PCAM, PCI, Paramount and Lindsay Rosenwald, M.D.

PAUL D. RUBIN, M.D., 47, has served as a member of the board of directors of Endorex since November 1997. Since 1999, he has been Executive Vice President for Drug Development at Sepracor, Inc., having previously been Senior Vice President since 1996. He is responsible for managing

research and development programs for Sepracor's improved chemical entities portfolio, which includes the management of Discovery Research, Regulatory, Clinical, Preclinical, and Project Management teams. Dr. Rubin also plays a key role in the evaluation of external technology and licensing opportunities. From 1993 to 1996, Dr. Rubin was the Vice President and Worldwide Director of Early Clinical Development and Clinical Pharmacology at Glaxo Wellcome. Prior to Glaxo, Dr. Rubin held various executive research positions at Abbott Laboratories. Dr. Rubin received his M.D. from Rush Medical College in Chicago and completed his residency in Internal Medicine at the University of Wisconsin Hospitals and clinics in Madison, Wisconsin.

H. LAURENCE SHAW, M.D., 55, has served as a member of the board of directors of Endorex since August 1997. In 1999, he was appointed as Chief Executive Officer of Applied Spectral Imaging, a company focused on the application of technology that combines conventional imaging with spectroscopy to display previously undetected information with applications in diverse areas such as cytogenetics, pathology and ophthalmology, as well as fields unrelated to healthcare. He was Chairman, President and Chief Executive Officer of Pacific Pharmaceuticals, Inc. from December 1996 until March 1999. From 1995 to 1996, Dr. Shaw was Corporate Vice President Research and Development for C.R.

Bard, Inc. in New Jersey. From September 1993 to 1995, he was Founder, President and Chief Executive Officer of Atlantic Pharmaceuticals, Inc. Dr. Shaw graduated from University College Hospital Medical School, London, England.

STEVEN THORNTON, 44, has served as a member of the board of directors since February 1998. He has served as Executive Vice President of Commercial Development for Elan Pharmaceutical Technologies since December 1997. Prior to joining Elan Pharmaceutical Technologies, Mr. Thornton served from July 1994 as President of Schein Bayer Pharmaceutical Services Inc., a joint venture of Bayer and Schein Pharmaceutical Inc. From 1991 to 1994, he served with Bayer as Region Director with responsibility for pharmaceutical operations in Australia, New Zealand and South Africa. Mr. Thornton graduated with honors from Lancaster University in 1978, receiving a B.A. in applied social psychology. Mr. Thornton is the nominee of the holders of Endorex's Series B preferred stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Endorex's directors, executive officers, and persons who beneficially own more than 10% of a registered class of its equity securities must file initial reports of ownership and reports of changes in ownership of any equity securities of Endorex with the Securities and Exchange Commission. Copies of the reports must be furnished to Endorex. To Endorex's knowledge, based solely on review of the copies of such reports furnished to it, all persons subject to these reporting requirements filed the required reports on a timely basis with respect to Endorex's most recent fiscal year other than Mr. Thornton and Mr. Tempero. Inadvertently, the Form 5 of Mr. Thornton and Form 5 of Mr. Tempero for fiscal year 2000 were filed late.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation paid during Endorex's fiscal years ended December 31, 2000, 1999 and 1998 to its Chief Executive Officer and its two other executive officers as of December 31, 2000 whose base salary during the year was in excess of $100,000 and one other person for whom disclosure would have been required if they were serving as an executive officer of Endorex at December 31, 2000, collectively referred to herein as the Named Executive Officers.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LON COMP
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	SEC UND OPTI
Michael S. Rosen.....	12/31/00	249,600	25,000(1)	3,340(4)	
President and Chief Executive	12/31/99	249,600	12,500(2)	6,997(4)	
Officer	12/31/98	248,808	72,000(3)	1,219(4)	2
Robert N. Brey.....	12/31/00	136,000	--	--	3
Vice President of Research and	12/31/99	131,904	7,000(2)	19,000(6)	1
Development(5)	12/31/98	126,829	13,270(3)	--	
Frank C. Reid.....	12/31/00	111,833	--	--	6
Vice President, Finance and					

Corporate Development(7)					
Steve J. Koulogeorge..... Controller and Assistant Treasurer(8)	12/31/00	29,886	3,675(1)	--	1

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(1) Bonuses accrued in 2000 and paid entirely in 2001.

(2) Bonuses accrued in 1999 and paid entirely in 2000.

(3) Bonuses accrued in 1998 and paid entirely in 1999.

(4) Life insurance premiums incurred and paid during the period.

(5) Mr. Brey served as an executive officer of Endorex until November 30, 2000.

(6) Reimbursed relocation expenditures.

(7) Mr. Reid resigned from Endorex on December 31, 2000.

(8) Mr. Koulogeorge joined Endorex on September 25, 2000.

The following table contains information concerning options granted to the Named Executive Officers during the fiscal year ended December 31, 2000. No SARs were granted during the period.

OPTION GRANTS IN LAST FISCAL YEAR

	NUMBER OF SECURITIES UNDERLYING OPTION GRANTED (#)	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(1)	EXERCISE PRICE ($/SHARE)(2)
Michael S. Rosen.....	--	--	--
Robert N. Brey.....	30,000	17%	$3.94
Frank C. Reid.....	60,000	34%	$3.94
Steve J. Koulogeorge.....	15,000	8%	$2.31

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(1) Based on an aggregate of 176,500 options granted to employees and non-employee board members in the fiscal year ended December 31, 2000, including options granted to the Named Executive Officers.

(2) The exercise price of each grant is equal to the fair market value of Endorex's common stock on the date of the grant.

The following table sets forth certain information concerning exercisable and unexercisable stock options held as of December 31, 2000 by each of the Named Executive Officers:

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION

VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/00 (#) EXERCISABLE/UNEXERCISABLE	VALUE IN-THE AT 1 EXERCISABL
Michael S. Rosen.....	--	--	534,375/134,375	140,625
Robert N. Brey.....	--	--	40,000/50,000	98,800/
Frank C. Reid.....	--	--	0/60,000	0
Steve J. Koulogeorge.....	--	--	0/15,000	0

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(1) Based on the difference between the closing price on December 31, 2000 ($1.00) and the exercise price of outstanding options.

COMPENSATION OF DIRECTORS

CASH COMPENSATION. Endorex directors receive a $2,000 fee for attending quarterly meetings of the board of directors in person and $500 for telephonic attendance at such meetings and for attendance at committee meetings, and are reimbursed for travel expenses incurred in connection with performing their respective duties as directors of Endorex.

DIRECTOR FEE OPTION GRANT PROGRAM. Each non-employee director has the right to apply all or a portion of his annual cash retainer fee to the acquisition of a special option grant under the Director Fee Option Grant Program pursuant to Endorex's Amended and Restated 1995 Omnibus Incentive Plan. The grant will automatically be made on the first trading day in January following the filing of the stock-in-lieu-of-cash election and will have an exercise price per share equal to one-third of the fair market value of the option shares on the grant date. The number of shares subject to the option will be determined by dividing the amount of the retainer fee applied to the program by two-thirds of the fair market value per share of common stock on the grant date. As a result, the total spread on the option

(the fair market value of the option shares on the grant date less the aggregate exercise price payable for those shares) will be equal to the portion of the retainer fee invested in that option. The option will become exercisable for 50% of the option shares upon the director's completion of six months of board service in the calendar year in which the option is granted. The balance of the option shares will become exercisable in six successive equal monthly installments upon the director's completion of each additional month of board service during that calendar year. The option will remain exercisable until the earlier of (i) the expiration of the ten-year option term or (ii) the end of the three-year period measured from the date of the director's cessation of board service. The option will become immediately exercisable in its entirety should the director die or become permanently disabled while a board member. In addition, upon the successful completion of a hostile take over, each option may be surrendered to Endorex for a cash distribution per surrendered option share in an amount equal to the excess of (a) the take-over price per share over (b) the exercise price payable for such share. This program has not been implemented by Endorex.

AUTOMATIC OPTION GRANT PROGRAM. Subject to approval of Proposal Four by the

Endorex stockholders at the Endorex annual meeting, each non-employee director will automatically receive a fully vested option to purchase 50,000 shares of common stock at the commencement of board service. In addition, on the date of each annual meeting of the Endorex stockholders, each non-employee director who continues to serve on the board will automatically be granted an option to purchase an additional 10,000 shares of common stock. Each 10,000 share option granted under the Automatic Option Grant Program will be immediately exercisable for any or all of the option shares. However, any shares purchased under the option are subject to repurchase by Endorex, at the exercise price paid per share, upon the director's cessation of board service prior to completion of one year of board service measured from the option grant. The exercise price per share of each option granted under the Automatic Option Grant Program will be equal to the fair market value per share of common stock on the date of grant. If Proposal Four is not approved, then each newly elected or appointed non-employee director will receive an option to purchase 42,000 shares upon commencement of board service; in addition, each continuing non-employee director will be granted an option to purchase 12,000 shares on the second anniversary of the date of grant of the initial 42,000 share option and every two years thereafter. Each initial grant of 42,000 options will vest, and Endorex's repurchase right will lapse, (1) with respect to 30,000 shares in a series of two successive equal annual installments upon the Optionee's completion of each year of board service over the two-year period measured from the option grant date and (2) with respect to 12,000 shares in a series of eight successive equal quarterly installments on the last day of each calendar quarter over the two-year period measured from the option grant date, provided the director has attended the regular board meeting held during such quarter. Accordingly, subject to the approval of Proposal Four and subject to consummation of the merger, Guy Rico and Peter Kleim will each receive a 50,000 share option on the date of his appointment and, subject to the approval of Proposal Four, each continuing director will receive a 10,000 share option on the date of the annual meeting.

DISCRETIONARY OPTION GRANT PROGRAM. On February 21, 2001, Endorex's board granted a fully vested option to purchase 50,000 shares of Endorex common stock to each of Endorex's non-employee board members, subject to approval of Proposal Five by the Endorex stockholders at the Endorex annual meeting. The options have an exercise price of $1.25 per share, which was the closing price per share on AMEX on February 21, 2001. The options have a term of ten years.

CONSULTING AGREEMENT WITH CHAIRMAN. On May 17, 2000, Endorex entered into a consulting agreement with Dr. Kenneth Tempero, as an independent consultant, to provide, on a non-exclusive basis, assistance and advice to Endorex regarding its business, licensing opportunities, corporate partnering activities and research and development activities. The term of the consulting agreement ends upon the first meeting of the board after the 2001 annual meeting of Endorex stockholders; provided, however, that the term of the consulting agreement may be extended upon mutual consent. Dr. Tempero is the Chairman of the Endorex board of directors. Pursuant to his consulting agreement,

Dr. Tempero is entitled to receive compensation of $5,600 per month in exchange for rendering 32 hours per month of consulting services to Endorex. For all time in excess of 32 hours per month, Dr. Tempero is compensated at a rate of $215 per hour. Pursuant to his consulting agreement, Dr. Tempero also received an option to purchase up to 12,000 shares of common stock at an exercise price of $3.25 per share, of which options to purchase 3,000 shares of common stock shall vest every quarter after the date of the consulting agreement. Endorex also agreed to pay up to $10,606 annually of Dr. Tempero's healthcare costs. Pursuant to his consulting agreement, Dr. Tempero received payments from Endorex totaling $159,270 during the fiscal year ended December 31, 2000.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

On May 17, 2000, Endorex entered into an employment agreement with Michael S. Rosen pursuant to which Mr. Rosen will serve as the President, Chief Executive Officer, and a director of Endorex. The term of Mr. Rosen's employment agreement with Endorex commenced on February 8, 2000 and ends upon termination of the employment agreement pursuant to its terms. Pursuant to his employment agreement, Mr. Rosen is entitled currently to receive (i) an annual base salary of $254,600 and (ii) an annual bonus of up to 50% of his annual base salary upon achieving certain milestones. Endorex must also maintain medical, long-term disability and life insurance with coverage of up to $1,000,000 for Mr. Rosen. In the event Mr. Rosen's employment is terminated other than for cause, which includes a change of control, or if Mr. Rosen terminates for good reason, including a material reduction in his duties or responsibilities, then (i) Mr. Rosen will be entitled to receive his base salary and a prorated bonus for a period of six months and for a subsequent six month period, subject to reduction during the subsequent period for earnings from other employment, (ii) Mr. Rosen will be entitled to receive his benefits for those periods until other coverage is obtained, (iii) any unvested standard options granted to Mr. Rosen will vest, and (iv) Mr. Rosen will have one year from the date of termination to exercise his options. Mr. Rosen will also receive cash payments equal to the cost of providing life and disability insurance for six months following initial 6 month period. Upon consummation of the merger, Mr. Rosen would have the right to terminate his employment with Endorex within thirty days and receive his severance benefits. Mr. Rosen and Endorex are currently negotiating a new employment agreement to take effect subsequent to the merger.

On September 19, 2000, Endorex entered into an employment agreement with Steven J. Koulogeorge to serve as the Assistant Treasurer and Controller. Mr. Koulogeorge's employment commenced on September 25, 2000 and the agreement terminates on September 24, 2004. Pursuant to his employment agreement, Mr. Koulogeorge is entitled to receive (i) an annual base salary of $102,480 and (ii) an annual bonus of up to 15% of his annual base salary at the discretion of Endorex's board of directors. Pursuant to his employment agreement, Mr. Koulogeorge also received an option to purchase up to 15,000 shares of common stock at an exercise price of $2.3125 per share that vest equally over 4 years starting on September 28, 2001. In the event Mr. Koulogeorge is terminated other than for cause or if he terminates his employment for good reason within 4 months of a change of control of Endorex, Mr. Koulogeorge is entitled to receive for a period 4 months his base monthly salary and any unpaid bonus, subject to set off for amounts earned from alternative employment.

On December 1, 1996, Endorex entered into an employment agreement with Robert Brey to serve as Vice President of Research and Development. Mr. Brey's employment commenced December 1, 1996 and his employment agreement terminated on November 30, 2000. Under his employment agreement, Mr. Brey was entitled to receive (i) a minimum annual base salary of $115,000 and (ii) an annual bonus of up to 25% of his annual base salary at the discretion of Endorex's board of directors. Mr. Brey was also granted an option to purchase up to 100,000 shares of common stock. Subsequently, in October 1997, this option was cancelled and Dr. Brey was granted a new option to purchase 50,000 shares of common stock at an exercise price of $2.47 per share, vesting at a rate of 3,125 shares at the end of each three-month period thereafter commencing October 1997. Subsequent to the

termination of his employment as Vice President of Research and Technology, Mr. Brey was engaged by Endorex as a consultant.

On March 10, 1997, Endorex entered into an employment agreement with David

G. Franckowiak to serve as Controller and Treasurer. Mr. Franckowiak's employment agreement commenced on April 1, 1997. Pursuant to the terms of his employment agreement, Mr. Franckowiak was entitled to receive (i) a minimum annual base salary of $127,000, (ii) an annual bonus of up to 15% of his annual base salary at the discretion of Endorex's board of directors and (iii) options to purchase up to 50,000 shares of common stock at an exercise price of $2.00 per share, which vest at a rate of 3,125 shares every quarter starting June 30, 1997. Pursuant to a letter agreement dated March 13, 2000, Mr. Franckowiak resigned from Endorex on March 31, 2000 but agreed to assist Endorex for up to four months to transition certain of his duties. Pursuant to the letter agreement, Mr. Franckowiak was entitled to receive (i) the pro rata portion of his annual base salary for up to four months, (ii) a $6000 bonus upon satisfactory completion of certain duties and (iii) the continued vesting of his options for up to four months.

On February 8, 2000, Endorex entered into an employment agreement with Frank C. Reid to serve as Vice President of Finance and Corporate Development. Mr. Reid's employment commenced February 21, 2000. Mr. Reid was entitled to receive (i) an annual base salary of $130,000, (ii) a bonus of up to 30% of his annual base salary at the discretion of Endorex's President and Chief Executive Officer and board of directors and (iii) options to purchase up to 60,000 shares of common stock at an exercise price of $3.94 per share. Mr. Reid resigned from Endorex as of December 31, 2000.

On January 4, 2001, Endorex entered into an employment agreement with Panayiotis P. Constantinides to serve as the Vice President of Research and Development. Mr. Constantinides' employment commenced January 12, 2001 and the agreement terminates on January 11, 2004. Pursuant to his employment agreement, Mr. Constantinides is entitled to receive (i) an annual base salary of $170,000 and (ii) an annual bonus of up to 30% of his annual base salary at the discretion of Endorex's Chief Executive Officer and board of directors. Pursuant to his employment agreement, Mr. Constantinides also received an option to purchase up to 60,000 shares of common stock at an exercise price of $1.50 per share that vest equally over 4 years upon the anniversary date of his employment agreement. In the event Mr. Constantinides is terminated other than for cause or if he terminates his employment for good reason within 12 months of a change of control of Endorex, Mr. Constantinides is entitled to receive for a period of six months his base monthly salary and any unpaid bonus, subject to set off for amounts earned from alternative employment.

On February 12, 2001, Endorex entered into an employment agreement with John McCracken to serve as Vice President of Business Development. Mr. McCracken's employment commenced February 26, 2001 and the agreement terminates on February 25, 2005. Pursuant to his employment agreement, Mr. McCracken is entitled to receive (i) an annual base salary of $175,000 and (ii) an annual bonus of up to 35% of his annual base salary at the discretion of Endorex's board of directors. Pursuant to his employment agreement, Mr. McCracken also received an option to purchase up to 100,000 shares of common stock at an exercise price of $1.25 per share. Options to purchase 75,000 shares of common stock vest equally over 4 years upon each anniversary date of Mr. McCracken's employment agreement and the remaining options to purchase 25,000 shares of common stock vest upon meeting certain milestones. Upon receipt by Endorex of at least $2,000,000 in revenue or income from business development activities, Mr. McCracken's base annual salary increases by $20,000. In the event Mr. McCracken is terminated other than for cause, Mr. McCracken is entitled to receive for a period of seven months his base monthly salary and any unpaid bonus, subject to set off for amounts earned from alternative employment. In the event Mr. McCracken terminates his employment for good reason within six months of a change of control of Endorex, Mr. McCracken is entitled to receive for a period six months his base monthly salary and any unpaid bonus, subject to set off for amounts earned from alternative employment.

The Compensation Committee has the authority to provide for the accelerated vesting of the options granted to the Chief Executive Officer and Endorex's other executive officers under the Endorex Amended and Restated 1995 Omnibus Incentive Plan in the event of (i) a change in control of Endorex effected through a successful tender offer for more than 50% of Endorex's outstanding common stock or a change in the majority of the board as a result of one or more contested elections for board membership, or (ii) the individual's termination of employment (whether involuntarily or through a forced resignation) within a designated period following such a change in control or an acquisition of Endorex by merger or asset sale.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Endorex and its management and security holders and their respective affiliates engage in a variety of transactions between or among each other in the ordinary course of their respective businesses. All of these related party transactions that are material to Endorex are described below. As a general rule, Endorex has not retained an independent third party to evaluate these transactions, and there has been no independent committee of its board of directors to evaluate these transactions. Notwithstanding this fact, Endorex believes that the terms and conditions of these transactions, including the fees or other amounts paid by it, took into account transactions of a similar nature entered into by Endorex with unaffiliated third parties and/or market transactions of a similar nature entered into by unaffiliated third parties. There can be no assurance that Endorex could not have obtained more favorable terms from an unaffiliated third party.

On June 13, 1996, Dominion Resources, Inc. entered into an agreement with The Aries Fund and the Aries Domestic Fund, L.P., collectively referred to herein as the Aries Funds, with Endorex as a party to the agreement, whereby the Aries Funds purchased an aggregate of 266,667 shares of Endorex common stock from Dominion Resources at $1.50 per share. As part of the transaction, Dominion Resources transferred to the Aries Funds certain of its rights under an existing agreement with Endorex, including the right to designate one of the directors of Endorex and the right to have the shares registered under the Securities Act. Upon completion of the transaction, Steven H. Kanzer was elected to the board of directors as a designee of the Aries Funds. On June 26, 1996, the Aries Funds purchased from Endorex an additional 333,334 shares of common stock at a price of $3.00 per share. The purchase agreements relating to such shares contains various representations and warranties concerning Endorex and its activities and also various affirmations and negative covenants. The agreements grant to the Aries Funds the right to have the shares registered under the Securities Act and restrict Endorex from entering into mergers, acquisitions, or sales of Endorex's assets without the prior approval of the Aries Funds and the Aries Fund nominee on the board. In 2001, the Aries Funds transferred the shares of Endorex common stock and the rights under the purchase agreements to Aries Select, Ltd. and Aries Select I LLC. Aries Select, Ltd. and Aries Select I LLC each beneficially own in excess of 5% of Endorex's common stock, based upon the shares of common stock and shares of common stock issuable upon exercise of warrants beneficially owned by each of them.

In connection with a credit agreement entered into by Endorex and the Aries Funds on May 19, 1997, Endorex issued to the Aries Funds warrants to purchase an aggregate of 66,668 shares of common stock. Such warrants are exercisable until May 19, 2002, at an exercise price of $2.31250 per share, subject to adjustment under certain circumstances. Paramount Capital Asset Management, Inc., or PCAM, is the investment manager of the Aries Funds and the general partner of the Aries Domestic Fund, L.P. In 2001, the Aries Funds transferred their Endorex warrants to Aries Select, Ltd. and Aries Select I LLC, both of which are affiliates of PCAM, Paramount Capital, Inc., or Paramount, and Lindsay

Rosenwald, M.D. Dr. Rosenwald is the President and sole stockholder of PCAM and Paramount. PCAM and Dr. Rosenwald each beneficially own in excess of 5% of Endorex's outstanding common stock, based upon the shares of common stock and shares of common stock issuable upon exercise of warrants beneficially owned by each of them.

Endorex issued and sold an aggregate of 8,648,718 shares of common stock to certain accredited investors in a private placement on July 16, October 10, and October 16, 1997, for an aggregate purchase price of $20,000,000. The net proceeds to Endorex after deducting commissions and expenses of Paramount, which acted as the placement agent for the private placement, were $17,400,000. Paramount is an affiliate of PCAM and Dr. Rosenwald.

In connection with the private placement, Endorex issued and sold to Paramount and/or its designees warrants to purchase up to an aggregate of 864,865 shares of common stock. Also in connection with the execution of a financial advisory agreement, dated October 16, 1997, between Endorex and Paramount, Endorex issued and sold to Paramount warrants to purchase up to an aggregate of 1,297,297 shares of common stock. Such warrants are exercisable until April 16, 2003, at an exercise price of $2.54375 per share, subject to adjustment under certain circumstances.

On January 21, 1998, Endorex established a joint venture, InnoVaccines Corporation, with Elan Corporation, PLC for the exclusive research, development and commercialization of oral and mucosal prophylactic and therapeutic vaccines. As part of the transaction, Elan International Services, Ltd., or, Elan International, a wholly owned subsidiary of Elan, made a $2.0 million investment in Endorex by purchasing 307,692 shares of common stock and warrants to acquire 230,770 shares of common stock. The warrants are exercisable until January 21, 2004 at an exercise price of $10.00 per share, subject to adjustment under certain circumstances. In addition, in connection with the joint venture and the execution of a license agreement, Endorex issued $8.0 million of Series B preferred stock to Elan International. Upon completion of the transaction, Steven Thornton was elected to the board of directors as a designee of Elan International. As of December 31, 2000, Elan has paid approximately $1,643,412 of Endorex's funding obligations for InnoVaccines. Based upon the shares of common stock and shares of common stock issuable upon conversion of the Series B preferred stock and Series C preferred stock beneficially owned, Elan International beneficially owns in excess of 5% of the common stock of Endorex.

On October 21, 1998, Endorex established a second joint venture, Endorex Newco, Ltd., with Elan for the exclusive research, development and commercialization of the MEDIPAD-Registered Trademark- disposable drug delivery system for an iron chelation therapy. In connection with the joint venture and the execution of a license agreement, Endorex issued $8.4 million of Series C preferred stock to Elan International. Endorex has a committed credit availability of approximately $4,800,000 from Elan for the purposes of funding Endorex Newco, Ltd.

Pursuant to a Financial Advisory Agreement dated as of October 25, 1999 between Paramount and Endorex, Paramount provided to Endorex financial advisory services for a period of twelve months from the date of the agreement. Paramount received as compensation for its services $5,000 per month for the term of the Financial Advisory Agreement and received options for 46,000 shares of common stock at an exercise price of $2.54 per share. Of these options, options for 10,000 shares of common stock were immediately exercisable upon the issuance of such options and expired on October 25, 2000; options for 9,000 shares of common stock became exercisable after October 25, 2000 and expire on October 25, 2009; options for 9,000 shares of common stock became exercisable after April 25, 2001 and expire on October 25, 2009; and options for 18,000 shares of common stock

become exercisable after October 25, 2002 and expire on October 25, 2009.

Pursuant to a Finder Agreement dated as of February 29, 2000, as amended on April 6, 2000, between Paramount and Endorex, Paramount agreed to act as a finder in connection with Endorex's April 2000 private placement of common stock and warrants. In return for its services under the Finder Agreement, Paramount received a cash payment of $598,500 and warrants exercisable for 226,190 shares of common stock at an exercise price of $5.25 per share, subject to adjustment under certain circumstances. The warrants became exercisable on October 12, 2000 and expire on October 11, 2007.

PRINCIPAL STOCKHOLDERS OF ENDOREX

The table below sets forth information regarding the beneficial ownership of Endorex's common stock and Series B preferred stock as of October 15, 2001, by the following individuals or groups:

- each person or entity who is known by Endorex to own beneficially more than 5.0% of Endorex's outstanding common stock or Series B preferred stock;
- each of Endorex's Named Executive Officers;
- each of Endorex's directors and nominees for director; and
- all of Endorex's directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of Endorex's common stock that are subject to warrants, options or other convertible securities that are presently exercisable or exercisable within 60 days of October 15, 2001 are deemed to be outstanding and beneficially owned by the person holding the warrants or stock options for the purpose of computing the percentage of ownership of that person, but are not treated as outstanding for the purpose of computing the percentage of any other person. As of October 15, 2001, Endorex had 12,741,858 shares of common stock outstanding.

NAME AND ADDRESS OF BENEFICIAL OWNER	COMMON STOCK BENEFICIALLY OWNED	PERCENT OF CLASS	SERIES B CONVERTIBLE PREFERRED STOCK BENEFICIALLY OWNED
Aries Select I LLC(1)..... c/o Paramount Capital Asset Management, Inc. 787 Seventh Avenue New York, NY 10019	2,369,986	18.38%	--
Aries Select, Ltd.(2)..... c/o Paramount Capital Asset Management, Inc. 787 Seventh Avenue New York, NY 10019	1,076,081	8.39%	--
Elan International Services, Ltd.(3)..... 102 St. James Court Flatts Smith, SL 04 Bermuda	2,990,945	19.01%	100,410

Lindsay A. Rosenwald, M.D.(4)..... 787 Seventh Avenue, New York, NY 10019	4,900,384	34.00%	--
Paramount Capital Asset Management, Inc.(5)..... 787 Seventh Avenue, New York, NY 10019	4,900,384	34.00%	--
Robert Brey(6)(7).....	64,375	*	--
Richard Dunning(6)(7).....	104,000	*	--
Steve H. Kanzer(6)(7).....	249,000	1.92%	--
Steve Koulogeorge(6)(7).....	--	--	--
Frank Reid(6)(7).....	--	--	--
Michael S. Rosen(6)(7).....	634,985	4.75%	--

NAME AND ADDRESS OF BENEFICIAL OWNER	COMMON STOCK BENEFICIALLY OWNED	PERCENT OF CLASS	SERIES B CONVERTIBLE PREFERRED STOCK BENEFICIALLY OWNED
Paul Rubin(6)(7).....	104,000	*	--
H. Lawrence Shaw(6)(7).....	104,000	*	--
Kenneth Tempero(6)(7).....	157,000	1.22%	--
Steven Thornton(6)(7).....	92,000	*	--
All directors and officers as a group.....	1,509,360	10.59%	--

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* Represents less than 1% of outstanding common stock or voting power.

(1) Number of shares beneficially owned includes 23,334 shares of common stock issuable upon exercise of warrants exercisable until May 19, 2002 at a price of $2.3125 per share, and 56,533 shares of common stock issuable upon exercise of warrants exercisable until April 16, 2003 at a price of $2.54375 per share. Does not include warrants to purchase 1,434,032 shares of common stock held by Lindsay A. Rosenwald, M.D., the Chairman of PCAM, which is the managing member of Aries Select I LLC, in his individual capacity. Dr. Rosenwald and PCAM share the power to vote and/or dispose of the shares of common stock held by the Aries Select I LLC, but disclaim beneficial ownership thereof except to the extent of their pecuniary interest therein, if any.

(2) Number of shares beneficially owned includes 43,334 shares of common stock

issuable upon exercise of warrants exercisable until May 19, 2002 at a price of $2.3125 per share, and 112,159 shares of common stock issuable upon exercise of warrants exercisable until April 16, 2003 at a price of $2.54375 per share. Does not include warrants to purchase 1,434,032 shares of common stock held by Lindsay A. Rosenwald, M.D., the Chairman of PCAM, which is the investment manager of Aries Select, Ltd., in his individual capacity. Dr. Rosenwald and PCAM share the power to vote and/or dispose of the shares of common stock held by Aries Select, Ltd., but disclaim beneficial ownership thereof except to the extent of their pecuniary interest therein, if any.

(3) Number of shares beneficially owned includes 1,350,569 shares of common stock issuable upon conversion of Series B preferred stock, 1,101,614 shares of common stock issuable upon conversion of Series C preferred stock and 230,770 shares of common stock issuable upon exercise of warrants exercisable until January 21, 2004 at a price of $10.00 per share.

(4) Lindsay A. Rosenwald, M.D., is the Chairman and sole stockholder of PCAM and Paramount Capital, Inc. The securities beneficially owned by Dr. Rosenwald include 1,434,032 shares of common stock issuable upon exercise of warrants exercisable until April 16, 2003 at a price of $2.54375 per share, 2,369,986 shares beneficially owned by Aries Select I LLC, 1,076,081 shares beneficially owned by Aries Select, Ltd. and 20,284 shares beneficially owned by Aries Select II LLC. Dr. Rosenwald disclaims beneficial ownership of the shares owned by Aries Select I LLC, Aries Select, Ltd. and Aries Select II LLC, except to the extent of any pecuniary interest therein.

(5) PCAM, the investment manager of Aries Select, Ltd. is also the managing member of Aries Select I LLC and Aries Select II, LLC, each of which also owns securities of Endorex. PCAM disclaims beneficial ownership of the securities held by the funds, except to the extent of its pecuniary interest therein, if any. PCAM disclaims beneficial ownership of warrants to purchase 1,434,032 shares of common stock owned by Lindsay A. Rosenwald, M.D.

(6) The address of this individual is c/o Endorex Corporation, 28101 Ballard, Lake Forest, IL 60045.

(7) Consists entirely of shares issuable upon exercise of options that are exercisable within the 60-day period following October 15, 2001.

DESCRIPTION OF ENDOREX CAPITAL STOCK

The following summarizes all of the material terms and provisions of Endorex's capital stock. It does not purport to be complete, however, and is qualified in its entirety by the actual terms and provisions contained in Endorex's certificate of incorporation.

AUTHORIZED CAPITAL STOCK

Endorex has 55,000,000 total authorized shares of capital stock, of which 50,000,000 are shares of common stock, par value $.001 per share; 4,600,000 are shares of preferred stock, par value $.001 per share; 200,000 are shares of Series B preferred stock, par value $.05 per share; and 200,000 are shares of Series C preferred stock, par value $.05 per share.

STOCK RESERVED FOR ISSUANCE

As of October 15, 2001, Endorex has reserved 2,231,625 shares of common stock for issuance upon exercise of outstanding stock options, 3,136,794 shares for issuance upon exercise of outstanding warrants, 1,350,569 shares for

issuance upon conversion of Series B preferred stock and 1,101,614 shares for issuance upon conversion of Series C preferred stock. Endorex has not reserved any shares of preferred stock for issuance.

COMMON STOCK

VOTING RIGHTS

Each outstanding share of Endorex common stock is entitled to one vote per share. Endorex stockholders do not have cumulative voting rights.

DIVIDENDS

Subject to preferences that may be applicable to any outstanding preferred stock, the holders of Endorex common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors of Endorex out of funds legally available for that purpose. Since inception, Endorex has not declared any dividends on its common stock and does not intend to do so in the foreseeable future.

LIQUIDATION RIGHTS

In the event of Endorex's liquidation, dissolution or winding up, the holders of Endorex common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The holders of common stock have no preemptive or conversion rights or other subscription rights.

There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable. The shares of common stock to be issued in the merger will be fully paid and nonassessable.

PREFERRED STOCK

Endorex's board of directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the common

stock until the board of directors determines the specific rights of the holders of such preferred stock. However, the effects might include, among other things:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; or
- delaying or preventing a change in control of Endorex without further action by the stockholders.

There are currently two series of preferred stock issued and outstanding, Series B preferred stock and Series C preferred stock. The current series, and any future series, of preferred stock may discourage or make more difficult a merger, tender offer, business combination, proxy contest, or assumption of control by a holder of a large block of Endorex securities or the removal of incumbent management even if these events were favorable to the interests of

stockholders. The board of directors, without stockholder approval, may issue preferred stock with voting and conversion rights and dividend and liquidation preferences which may adversely affect the holders of common stock. Below is a brief description of Endorex's current outstanding preferred stock.

SERIES B CONVERTIBLE PREFERRED STOCK VOTING, DIVIDEND, AND LIQUIDATION RIGHTS

VOTING RIGHTS

Series B preferred stockholders have full voting rights and powers equal to the voting rights and powers of the common stock, including one vote for each whole share of common stock into which their Series B preferred stock could be converted according to their conversion rights as described in the certificate of incorporation. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all shares into which shares of Series B preferred stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). As of October 15, 2001, each share of Series B preferred stock was convertible into approximately 13.55 shares of common stock. Furthermore, without the approval of holders of Series B preferred stock representing at least a majority of the then outstanding shares of Series B preferred stock, Endorex may not authorize the issuance of any equity security having voting, dividend, liquidation or redemptive preferences superior to the Series B preferred stock.

DIVIDENDS

Series B preferred stock is paid a dividend at the rate of eight percent (8%) per annum payable in shares of Series B preferred stock. Such dividends are cumulative and accrue annually. In addition, if the board of directors pays a dividend or a distribution to the then outstanding stockholders of common stock of Endorex (other than a dividend payable solely in shares of common stock), the holders of the Series B preferred stock are entitled to the amount of dividends per share they would have received if they converted their shares into whole shares of common stock.

LIQUIDATION RIGHTS

In the event of a liquidation, before any payment to the common stockholders or any preferred stockholder subordinate in liquidation preference, Series B preferred stockholders are entitled to receive, out of the assets of Endorex legally available for distribution to its stockholders, the original purchase price per share and any amount due from declared but unpaid dividends. If the legal funds are insufficient to fully pay the amount due to the Series B preferred stockholders, the Series B

preferred stockholders will share ratably in any distribution of assets in proportion to the respective amounts which would be payable to them.

ADDITIONAL RIGHTS

Endorex may redeem the Series B preferred stock by meeting the requirements set forth in Endorex's certificate of incorporation. Series B preferred stockholders may convert their shares into common stock by following the requirements set forth in the certificate of incorporation. If not converted earlier, and in the event that Endorex's common stock meets certain trading and listing requirements set forth in its certificate of incorporation, on or after January 21, 2003, the Series B preferred stock shall automatically convert into common stock. As of October 15, 2001, the total number of shares of Series B preferred stock outstanding was 100,410, convertible into 1,350,569 shares of

Endorex common stock.

SERIES C CONVERTIBLE PREFERRED STOCK VOTING, DIVIDEND, AND LIQUIDATION RIGHTS

VOTING RIGHTS

The Series C preferred stock is generally non-voting stock. Without the approval of holders of Series C preferred stock representing at least a majority of the then outstanding shares of Series C preferred stock, however, Endorex may not authorize the issuance of any equity security having voting, dividend, liquidation or redemptive preferences superior to the Series C preferred stock.

DIVIDENDS

The Series C preferred stock is paid a dividend at the rate of seven percent (7%) per annum payable in shares of Series C preferred stock. Such dividends are cumulative and accrue annually. In addition, if the board of directors pays a dividend or a distribution to the then outstanding stockholders of common stock of Endorex (other than a dividend payable solely in shares of common stock), the holders of the Series C preferred stock are entitled to the amount of dividends per share they would have received if they converted their shares into whole shares of common stock.

LIQUIDATION RIGHTS

In the event of a liquidation, before any payment to the common stockholders or any preferred stockholder subordinate in liquidation preference, Series C preferred stockholders are entitled to receive, out of the assets legally available for distribution to its stockholders, the original purchase price per share and any amount due from declared but unpaid dividends. If the legal funds are insufficient to fully pay the amount due to the Series C preferred stockholders, the Series C preferred stockholders will share ratably in any distribution of assets in proportion to the respective amounts which would be payable to them.

ADDITIONAL RIGHTS

The Series C preferred stock may be exchanged for the common stock of Endorex Newco, Ltd. or converted into Endorex common stock by following the requirements set forth in the certificate of incorporation. The Series C preferred stock is not redeemable. If not converted earlier, the Series C preferred stock will automatically convert into common stock of Endorex on October 21, 2002. As of October 15, 2001, the total number of shares of Series C preferred stock outstanding was 97,603, convertible into 1,101,614 shares of Endorex common stock.

DIVIDENDS

Endorex has never paid a cash dividend and has no plans to pay cash dividends in the future.

ANTITAKEOVER EFFECTS OF DELAWARE LAW

Endorex is subject to the provisions of Section 203 of the Delaware General Corporation Law, or DGCL. Subject to certain exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a certain period of time. That period is three years after the date of the transaction in which the person became an interested stockholder, unless the interested stockholder attained that status with the approval of the board of directors or unless the business combination

is approved in a prescribed manner. A "business combination" includes certain mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or owned within three years prior, 15% or more of the corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for shares of common stock held by stockholders.

PROVISIONS OF ENDOREX CERTIFICATE OF INCORPORATION AND BYLAWS THAT MAY PREVENT TAKEOVERS

Endorex's certificate of incorporation contains provisions that may delay, defer or prevent a change in control and make removal of its management more difficult. As described before, the board of directors of Endorex may issue and designate shares of preferred stock without stockholder approval. Such preferred stock could have a dilutive effect on the shares outstanding, thereby discouraging a takeover.

INDEMNIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS AND LIMITATION OF LIABILITY

Endorex's certificate of incorporation limits the liability of directors and officers to the fullest extent permitted by the Delaware General Corporation Law. In addition, Endorex's certificate of incorporation and bylaws provide that Endorex will indemnify its directors and officers to the fullest extent permitted by the Delaware General Corporation Law.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for Endorex's common stock is American Stock Transfer & Trust Co.

COMPARISON OF RIGHTS OF STOCKHOLDERS OF CTD AND ENDOREX

SET FORTH BELOW IS A DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN THE RIGHTS OF CTD AND ENDOREX STOCKHOLDERS. WHILE WE BELIEVE THAT THE DESCRIPTION COVERS THE MATERIAL DIFFERENCES BETWEEN THE TWO, THIS SUMMARY MAY NOT CONTAIN ALL THE INFORMATION THAT IS IMPORTANT TO YOU. YOU SHOULD READ CAREFULLY THIS JOINT PROXY STATEMENT/PROSPECTUS AND THE OTHER DOCUMENTS TO WHICH WE REFER FOR A MORE COMPLETE UNDERSTANDING OF THE DIFFERENCES IN THE RIGHTS OF HOLDERS OF CTD AND ENDOREX SECURITIES.

ENDOREX (DELAWARE)	CTD (DELAWARE)
SECURITIES MARKETS	
- Endorex common stock is traded on the American Stock Exchange under the symbol "DOR."	- There is no established trading market for CTD common stock.
CAPITALIZATION: COMMON STOCK	
- 50,000,000 shares of common stock, $0.001 par value per share.	- 25,000,000 shares of common stock, $0.001 par value per share.

- 12,741,858 shares of Endorex's common stock were outstanding as of October 15, 2001.	- 5,000,000 shares of CTD's common stock were outstanding as of October 15, 2001.
CAPITALIZATION: PREFERRED STOCK	
- 4,600,000 shares of preferred stock, $0.001 par value per share, of which 200,000 shares are designated Series B convertible preferred stock, $0.05 par value per share, and 200,000 shares are designated as Series C convertible preferred stock, par value $0.05 per share.	- 10,000,000 shares of preferred stock, $0.001 par value per share, of which 9,515,000 shares are designated as Series A convertible preferred stock.
- Endorex's board of directors may establish from time to time the number of shares to be included in a series and fix the designation, powers, preferences and rights of the shares to be included in each series and the qualifications, limitations and restrictions thereof (subject to certain limitations relating to the issuance of preferred stock senior to existing classes). The holders of shares of Series B and Series C preferred stock are not entitled to any preemptive or subscription rights in respect of any securities of Endorex.	- CTD's board of directors may establish from time to time the number of shares to be included in a series and fix the designation, powers, preferences and rights of the shares to be included in each series and the qualifications, limitations and restrictions thereof (subject to certain limitations relating to the issuance of preferred stock senior to existing classes). The holders of shares of Series A preferred stock are not entitled to any preemptive or subscription rights in respect of any securities of CTD.
- 100,410 shares of Series B preferred stock were outstanding as of October 15, 2001.	- 7,628,750 shares of Series A preferred stock were outstanding as of October 15, 2001.
- 97,603 shares of Series C preferred stock were outstanding as of October 15, 2001.	

ENDOREX (DELAWARE)	CTD (DELAWARE)
VOTING RIGHTS	
- COMMON STOCK. Entitled to one vote per share on all matters to be voted upon by the common stockholders.	- COMMON STOCK. Entitled to one vote per share on all matters to be voted upon by the common stockholders.
- SERIES B PREFERRED. Entitled to one vote for each full share of common stock into which each share of Series B preferred stock could then be converted at the record date for the vote at issue. In any vote by the holders of shares of Series B preferred stock acting as a class, each holder of shares of Series B preferred stock is entitled to one vote for each	- SERIES A PREFERRED. Entitled to the number of votes equal to the largest number of full shares of common stock into which the shares of Series A preferred stock of the applicable holder could be converted at the record date for the determination of the stockholders entitled to vote on such matters or, if no such record date is established, at

share of Series B preferred stock held.

- SERIES C PREFERRED. In any vote by the holders of shares of Series C preferred stock acting as a class, each holder of shares of Series C preferred stock is entitled to one vote for each share of Series C preferred stock held.

the date such vote is taken.

CUMULATIVE VOTING

Under the DGCL, cumulative voting in the election of directors is not available unless specifically provided for in the certificate of incorporation.

- The Endorex certificate of incorporation does not specifically provide for cumulative voting, so cumulative voting is not available to Endorex stockholders.

- The CTD certificate of incorporation does not specifically provide for cumulative voting, so cumulative voting is not available to CTD stockholders.

DIVIDENDS

- COMMON STOCK. Dividends may be declared and paid from funds lawfully available therefor as and when determined by the board of directors and subject to any preferential dividend rights of any then outstanding preferred stock. As of the date of this joint proxy statement/prospectus, no such dividends have ever been declared or paid.

- COMMON STOCK. Subject to preferences that may be applicable to any outstanding CTD preferred stock, the holders of CTD common stock are entitled to receive such dividends, if any, as may be declared from time to time by the CTD board out of legally available funds. As of the date of this joint proxy statement/prospectus, no such dividends have ever been declared or paid.

ENDOREX (DELAWARE)	CTD (DELAWARE)
- SERIES B PREFERRED STOCK. The holders of the shares of Series B preferred stock are entitled to receive dividends at the rate of 8% per year, payable in shares of Series B preferred stock.	- SERIES A PREFERRED STOCK. The holders of Series A preferred stock are entitled to receive dividends, out of any assets legally available, in cash, stock or otherwise. Such dividends are payable only when, as and if declared by the CTD board; however, such dividends shall accrue and accumulate and are payable upon a liquidation event. As of the date of this prospectus, no such dividends have ever been declared paid.
- SERIES C PREFERRED STOCK. The holders of shares of Series C Preferred are entitled to receive dividends at the rate of 7% per year, payable in shares of Series C preferred stock.	

PREFERENCES RELATING TO LIQUIDATION, DISSOLUTION, WINDING UP

- COMMON STOCK. In the event of a liquidation, dissolution or winding up of Endorex, the holders of Endorex common stock are entitled to receive an equal portion of the net assets of Endorex available for distribution to the common stockholders, subject to any preferential rights of Endorex preferred stockholders, if any, then outstanding.	- COMMON STOCK. In the event of a liquidation, dissolution or winding up of CTD, the holders of CTD common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior rights of CTD preferred stock, if any, then outstanding.
- PREFERRED STOCK. In the event of a liquidation, dissolution or winding up of Endorex, each holder of shares of Series B or Series C preferred stock is entitled to receive, prior to any payment or distribution to the holders of common stock, an amount equal to the sum of (1) the original purchase price per share, which is $100 per share, and (2) an amount equal to any declared but unpaid dividends thereon.	- SERIES A PREFERRED STOCK. In the event of a liquidation, dissolution or winding up of CTD, each holder of shares of Series A preferred stock entitled to receive, prior and in preference to holders of all other series of CTD preferred stock and common stock, an amount equal to $2.00 per share (subject to adjustments for stock splits, stock combinations and the like) plus declared but unpaid dividends, if any, and all accrued but unpaid preferred dividends (as described in CTD's certificate of incorporation) on those shares (collectively, the "Liquidation Amount").
PROVISIONS RELATING TO MERGER, CONSOLIDATION, OR SALE OF ASSETS	
- COMMON STOCK. None.	- COMMON STOCK. None.

ENDOREX (DELAWARE)	CTD (DELAWARE)
- PREFERRED STOCK. Endorex's certificate of incorporation provides that a liquidation, dissolution, or winding up of Endorex is deemed to have occurred upon the (A) acquisition of Endorex by another entity unless Endorex's stockholders of record immediately prior to that acquisition will, immediately after that acquisition (by virtue of securities issued as consideration for Endorex's acquisition) hold at least 50% of the voting power of the surviving or acquiring entity; or (B) sale of all or substantially all of the assets of Endorex. Consequently, any such acquisition or sale would trigger the preferred stock liquidation preference described above.	- SERIES A PREFERRED STOCK. CTD's certificate of incorporation provides that in the event of consolidation or merger of CTD or sale of all or substantially all of CTD's assets, holders of Series A preferred stock are entitled to receive for each share, in cash or securities received from the acquiring corporation, an amount equal to the Liquidation Amount. (Prior to effectiveness of the merger, CTD is required to amend this provision so as to limit the maximum aggregate amount payable to the holders of the Series A preferred stock to the merger consideration payable to them as set forth in the merger agreement.)
REDEMPTION; EXCHANGE	
- COMMON STOCK. Not redeemable.	- COMMON STOCK. Not redeemable.

- SERIES B PREFERRED STOCK. Endorex may, at its option, if the requirements set forth in Section C.4 of the Endorex certificate of incorporation are met, redeem those shares by paying an amount in cash equal to the then-applicable liquidation preference and accrued and unpaid dividends for those shares in accordance with Section C.4 of the Endorex certificate of incorporation.	- SERIES A PREFERRED STOCK. CTD may, at its option at any time after May 9, 2003, redeem the Series A preferred stock in whole, but not in part for an amount per share equal to $2.00 (subject to appropriate adjustment to reflect any stock split, combination, reclassification or reorganization of the Series A preferred stock) plus all declared and unpaid dividends thereon, to and including the redemption date and all accrued but unpaid preferred dividends (in accordance with Section 7 of the CTD certificate of incorporation) to and including the redemption date.
- SERIES C PREFERRED. Not redeemable at any time after the issuance of shares of Series C preferred stock. Each holder of those shares may, at its option, on one occasion, elect to exchange those shares for shares of common stock, par value $1.00 per share, of Endorex Newco, Ltd., a Bermuda corporation, provided that all of the holders of Series C preferred stock elect to exercise this exchange right at the same time and have not previously exercised any portion of their conversion rights (as described below).	

ENDOREX (DELAWARE)	CTD (DELAWARE)
CONVERSION RIGHTS	
- COMMON STOCK. None.	- COMMON STOCK. None.
- SERIES B PREFERRED STOCK. Each share of Series B preferred stock is convertible, at the option of the holder thereof, at any time after the date of issuance of that share, into the number of common shares as is determined in accordance with Section C.5.(a) of the Endorex certificate of incorporation. Additionally, each share of Series B preferred stock will automatically be converted into shares of common stock in accordance with Section C.5.(b) of the Endorex certificate of incorporation.	- SERIES A PREFERRED STOCK. Each holder of shares of Series A preferred stock is entitled at any time to convert those shares into CTD common stock at a ratio equal to one share of CTD common stock for each share of Series A preferred stock, subject to adjustment pursuant to CTD's certificate of incorporation. All outstanding shares of Series A preferred stock will be automatically converted into shares of common stock upon occurrence of certain events stated in CTD's certificate of incorporation.
- SERIES C PREFERRED STOCK. Each share of Series C preferred stock is convertible, at the option of the holder thereof, at	

any time two years after the date of issuance of that share into the number of common shares as is determined in accordance with Section D.5.(a) of the Endorex certificate of incorporation. Additionally, each share of Series C preferred stock will automatically be converted into shares of common stock in accordance with Section D.5.(b) of the Endorex certificate of incorporation.

PROTECTIVE PROVISIONS

- COMMON STOCK. None.
- PREFERRED STOCK. Approval of holders of at least a majority of the then-outstanding shares of Series B or Series C preferred stock, voting separately as a class, is required before Endorex may (1) increase or decrease the authorized or outstanding number of shares of such series so as to adversely affect that series' stockholders, or (2) authorize or issue any other equity securities, or securities convertible into or exercisable for any equities security, with a preference over, or on a parity with, such Series B or Series C preferred stock with respect to voting, dividends, liquidation or redemption.

- COMMON STOCK. None.
- SERIES A PREFERRED. Approval of holders of at least a majority of the then-outstanding shares of Series A preferred stock, voting separately as a class, is required before CTD may take any of certain actions described in CTD's certificate of incorporation, except as provided therein.

ENDOREX (DELAWARE)	CTD (DELAWARE)

SPECIAL MEETINGS

- The Endorex bylaws provide that special meetings of the stockholders may be called by the Chairman of the board of directors or the President, and may be called by the President or Secretary at the request in writing of a majority of the Endorex board or of stockholders owning a majority of the shares of Endorex capital stock issued and outstanding and entitled to vote.
- Under the Endorex bylaws, special meetings of the board of directors may be called by the Chairman of the board of directors, the President, or by two or more directors on at least two days' notice by telegram, or on at least three days' notice if sent by mail.

- Under the CTD bylaws, special meetings of the stockholders may be called by the Chairman of the board of directors.
- The CTD bylaws provide that special meetings of the board of directors may be called by the Chairman of the board of directors or the President.

BOARD OF DIRECTORS

ENDOREX (DELAWARE)	CTD (DELAWARE)
- The Endorex board currently consists of seven directors. (Under the merger agreement, Endorex is required to cause the board to consist of nine directors upon effectiveness of the merger.) The Endorex certificate of incorporation and bylaws provide that the number of directors may be fixed in the bylaws or by amendment thereof duly adopted by the Endorex board or the Endorex stockholders. However, if no such determination is made by either the Endorex board or its stockholders, the number of Endorex directors will be three. Election of Endorex directors need not be by written ballot.	- The CTD board currently consists of four directors. Under the CTD bylaws, the board may not have more than nine or less than three members. Election of CTD directors need not be by written ballot.

WRITTEN CONSENTS

Under the DGCL, stockholders may take action by written consent in lieu of voting at a stockholders' meeting unless a corporation eliminates stockholder ability to act by written consent in its certificate of incorporation.

ENDOREX (DELAWARE)	CTD (DELAWARE)
- The Endorex certificate of incorporation and bylaws specifically provide for action by written consent of its stockholders.	- The CTD certificate of incorporation and bylaws do not address the ability of its stockholders to act by written consent, and accordingly CTD stockholders may act by written consent.

VACANCIES ON BOARD; REMOVAL OF DIRECTORS

ENDOREX (DELAWARE)	CTD (DELAWARE)
- Vacancies on the Endorex board may be filled by a majority vote of the remaining board.	- Vacancies on the CTD board may be filled by a majority vote of the remaining board.
- Directors may be removed with or without cause at any time by majority vote of stockholders.	- Directors may be removed with or without cause at any time by majority vote of stockholders.

AMENDMENTS TO BYLAWS

ENDOREX (DELAWARE)	CTD (DELAWARE)
- The Endorex certificate of incorporation and bylaws provide that the Endorex board may alter or repeal the Endorex bylaws by an affirmative vote of a majority of the entire board.	- The CTD certificate of incorporation and bylaws provide that the CTD board may make, alter or repeal the CTD bylaws subject to the power of the stockholders to alter or repeal the bylaws.

LIMITATION ON DIRECTOR LIABILITY

- Directors' liability is limited to the fullest extent permitted by Delaware Law.	- Directors' liability is limited to the fullest extent permitted by Delaware Law.

INDEMNIFICATION

- Indemnification of officers and directors provided to the fullest extent of Delaware Law.	- Indemnification of officers and directors provided to the fullest extent of Delaware Law.

APPRAISAL RIGHTS

Under the DGCL, a stockholder of a corporation participating in certain major corporate transactions may be entitled, under varying circumstances, to appraisal rights pursuant to which that stockholder may receive cash in the amount of the fair market value of its shares in lieu of the consideration it would otherwise receive in the transaction. These rights are not available with respect to a merger or consolidation by a corporation with shares either listed on a national securities exchange or held of record by more than 2,000 holders. See "The Merger--Appraisal Rights."

- Endorex common stock is listed on the American Stock Exchange. Therefore, appraisal rights may not be available to Endorex stockholders in the event Endorex is acquired by another corporation.	- CTD is not publicly traded and has fewer than 2,000 stockholders. Therefore, appraisal rights are available to CTD stockholders in connection with the merger.

DESCRIPTION OF CTD

THE FOLLOWING SECTION CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. CTD'S ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS, INCLUDING THOSE SET FORTH IN "RISK FACTORS" AND ELSEWHERE IN THIS JOINT PROXY STATEMENT/PROSPECTUS.

OVERVIEW OF CTD'S BUSINESS

CTD is a development stage pharmaceutical company. Its primary strategy is to develop, through its subsidiaries, innovative oral and mucosal formulations and new therapeutic indications of drugs that previously have been approved by the FDA for marketing in the United States. Such compounds are known as approved chemical entities, or ACEs; medicinal compounds that have not been approved by the FDA are known as new chemical entities, or NCEs. CTD currently has in clinical development two ACE drug products, orBec-TM- and Oraprine-TM-; orBec-TM- is in phase III clinical trials and Oraprine-TM- is in phase I clinical trials. CTD also has a drug product, Metropt-TM-, in preclinical development for which an Investigational New Drug, or IND, application has been filed with and approved by the FDA. CTD believes that its strategy of developing new oral or mucosal formulations of ACEs and products based upon ACEs to treat new indications will allow it to develop marketable products faster, with fewer risks, and less expensively than is usually the case with traditional drug development. During fiscal years 2000 and 1999, CTD's expenditures on research and development were $1,324,000 and $955,000, respectively.

THE DRUG APPROVAL PROCESS

The drug approval process is extremely expensive and is rigorously regulated by governmental agencies, including, in the United States, the FDA. Each drug must undergo a series of preclinical and clinical trials before the FDA will consider approving it for commercial sale. The FDA or any company conducting drug trials can discontinue those trials at any time if it feels that patients

are being exposed to an unacceptable health risk or if there is not enough evidence that the drug is effective. The FDA may also require a company to provide additional information or conduct additional tests before it will permit a drug to proceed from one phase of trials to the next.

ADVANTAGES OF DEVELOPING ACE DRUG PRODUCTS

CTD's primary strategy is to focus on developing new oral or mucosal formulations of ACEs and products based upon ACEs to treat new indications. There are significant advantages to developing products from drugs that have already been approved by the FDA.

SPEED AND COST

The ACEs on which CTD's products are based have established safety and therapeutic profiles for uses that differ from the uses CTD plans. CTD believes that as a consequence, the approval process will be quicker and cheaper than would be the case with NCEs, as the FDA allows applicants developing ACE products to rely on previous study results to support safety and efficacy claims. To date, the FDA has not requested that CTD duplicate costly and time-consuming preclinical animal studies and safety studies with respect to CTD's ACE product candidates, and instead has allowed CTD to use existing data and peer review journal articles in support of the approval process of its ACE product candidates; this has allowed CTD to begin human clinical trials sooner than otherwise would have been possible.

INCREASED LIKELIHOOD OF MULTIPLE USES

ACE products that are approved for treatment of one disease are sometimes found effective in treating other medical conditions. Doctors and scientists that use or prescribe a given ACE have an understanding of the chemical and medicinal properties associated with that ACE and are often able to identify new uses and new disease targets for that ACE.

PROPRIETARY RIGHTS

Proprietary drug products can be distinguished from generic drug products, which are those that any company can manufacture without restriction and without the need to acquire rights from any other party, generally because the patent or other source of exclusivity has expired or been revoked. Generic drug companies rely on low-margin, high-volume sales to achieve profits.

By developing new formulations of, or new therapeutic indications for, the ACEs to which CTD has obtained patent rights, CTD may be able to gain an advantage over competitors by preventing them, for a limited period, from marketing that ACE in a manner that infringes those proprietary rights. CTD's products represent new uses for existing drugs, and although it is not possible to obtain composition-of-matter patents for these compounds, it is possible to secure method-of-use patent protection for those new uses. However, a method-of-use patent covering use of a given drug to treat a certain disease only prevents competitors from using that drug to treat that disease, and is therefore in practice more difficult to enforce than composition-of-matter patents. CTD has an exclusive license to an existing United States patent that claims the use of orally delivered beclomethasone for PREVENTION of tissue damage associated with intestinal graft-versus-host disease, or GVHD, whereas CTD's only phase III clinical trials are for TREATMENT of GVHD. A United States patent provides exclusivity for 20 years from the date the patent application is filed.

Another source of exclusivity is the FDA's "orphan drug products" program,

which aims to promote development of new treatments for rare diseases. Without special incentives, drug companies do not focus on a rare disease, as it represents a small market. Under the Orphan Drug Act of 1983, the FDA is permitted to grant "orphan drug" status to any drug products that are intended to treat a "rare disease or condition," defined as a disease or condition that affects fewer than 200,000 persons in the United States. A company developing an orphan drug is accorded four to seven years of market protection from competitors, as well as certain tax credits for the amounts spent on human clinical trials. Although not approved for sale in the United States, the FDA has designated orBec-TM- and Oraprine-TM- as orphan drugs for select diseases.

Finally, the Hatch-Waxman Amendments of 1984 include exclusivity provisions that CTD believes may apply to its ACE drug products. One is the three-year exclusivity period for a new drug application, or NDA, that the FDA approves for ACE drug products supported by new clinical investigations. The other is the three-year exclusivity period for a supplemental new drug application, or sNDA, that the FDA approves for ACE drug products that are supported by new clinical investigations to supplement an existing NDA. These exclusivity periods would run concurrently with any period of market protection accorded to any CTD product under the FDA's orphan drug products program. If CTD develops orBec-TM- or Oraprine-TM- for additional uses and files sNDAs, those products may be eligible to apply for this extra exclusivity.

CTD has a license to the United States Patent No. 6,096,731, which expires on Sept. 10, 2018. With regard to those pending patent applications owned by CTD, assuming that patents issue from CTD's existing patent applications, those patents will generally expire between 2018 and 2021. Generally, a United States patent provides exclusivity for 20 years from the date the patent application was filed but this period is subject to any terminal disclaimers that apply. In addition, it is possible that these patents, including United States Patent No. 6,096,731, may expire at an even earlier date, if found to be invalid for any reason.

CTD'S PRODUCTS

Each of CTD's principal products is listed in the following table, along with the target disease and clinical trial status of that product and the CTD subsidiary responsible for developing it:

PRODUCT	INDICATION	DEVELOPMENTAL STATUS	CTD SUBSIDIA
orBec-TM-	Treatment of intestinal GVHD	Phase III ongoing	Enteron Pharmaceuticals,
	Treatment of Crohn's disease	Phase II (planned)	Enteron Pharmaceuticals,
	Prevention of ulcerative colitis	Phase II (planned)	Enteron Pharmaceuticals,
	Prevention of GVHD	Phase II (planned)	Enteron Pharmaceuticals,
Oraprine-TM-	Bioequivalent to tablet form of AZA	Bioequivalency trial (planned); compound requires reformulation	Oral Solutions,
Oral Suspension Drug Delivery Technology		Preclinical research	Formulation Technologies, In

Metropt-TM-	Blepharitis, dry eye	IND filed	RxEyes, Inc.

ORBEC-TM-

CTD's lead product, orBec-TM-, is an oral formulation of beclomethasone dipropionate, or BDP, a site-active corticosteroid drug that was originally synthesized in the 1960s. It has been approved by the FDA and sold by Glaxo Wellcome, as Beconase, in an inhaled formulation for the treatment of asthma, allergic rhinitis, and nasal polyposis.

CTD's development of orBec-TM- is the result of CTD's majority-owned subsidiary, Enteron Pharmaceuticals, Inc., having obtained an exclusive license from Dr. George McDonald to develop oral formulations of BDP to treat GVHD. Dr. George McDonald is Head of Gastroenterology and Hepatology at the Fred Hutchinson Cancer Research Center and a Professor of Internal Medicine and Gastroenterology at the University of Washington Medical Center. Under this license, Enteron obtained rights to know-how and an issued patent covering the use of orBec-TM- to prevent tissue damage associated with GVHD. In addition, Dr. McDonald and Nicholas Stergiopoulos, CTD's Director of Corporate Development, assigned to Enteron three patent applications covering aspects of treating intestinal GVHD, Crohn's disease, ulcerative colitis, and inflammatory bowel disease.

The composition-of-matter patent covering BDP has expired. To CTD's knowledge, there are no issued method patents regarding the use of BDP to treat GVHD or gastrointestinal diseases. Third parties own patents regarding use of proprietary delivery systems, such as sustained release or suppositories, which claim use of BDP to treat various gastrointestinal diseases. CTD believes that its methods are substantially different from those described in the other patents.

The BDP used in orBec-TM- is manufactured under an FDA-approved drug master file. orBec-TM- is formulated and tableted under good manufacturing procedures, or GMP, at Pharmaceutics International, Inc., a contract manufacturing firm. orBec-TM- is then packaged into blister packets by PCI Clinical Services, Inc., a division of Cardinal Health Corporation. CTD relies on contract manufacturing firms and does not own or control a manufacturing facility.

CTD is currently testing orBec-TM- in a multi-center phase III clinical trial for the treatment of intestinal GVHD, a life-threatening disorder that can arise following a bone marrow transplant. GVHD affects the gastrointestinal tract, skin, and liver of patients who have received bone marrow transplants;

it is thought to start in the gastrointestinal tract and spread to the skin and liver. The symptoms of intestinal GVHD typically include severe diarrhea, anorexia, vomiting, and death of the cells that line the intestinal tract. According to the National Marrow Donor Program, 12,748 allogenic bone-marrow transplants (transplants of blood or bone marrow cells from another person) were performed worldwide from January 1, 2001, through July 31, 2001. According to published studies and despite improved preventive measures, acute GVHD still occurs in 50% to 70% of transplants where the donor was HLA-mismatched and in 30% to 40% of transplants where the donor was HLA-matched. Special blood tests, called human leukocyte antigen, or HLA, typing, determine whether a patient has a suitable donor for bone-marrow-cell transplant. These same studies indicate that intestinal GVHD accounts for 15% to 30% of all cases of GVHD.

Intestinal GVHD is typically treated by high doses of Prednisone, a potent corticosteroid, along with Cyclosporin and other immunosuppressive agents. The systemic immunosuppression caused by immunosuppressing and the systemic side

effects of corticosteroids can result in infection and ultimately death. orBec-TM- allows for larger doses of BDP to be delivered to the afflicted gastrointestinal area without the significant side effects associated with other steroids, due to the rapid conversion and deactivation of BDP and incomplete absorption of BDP and its metabolites. Availability of a safe and effective treatment for GVHD should increase the number of patients who could benefit from bone marrow transplantation by improving the risk-to-benefit ratio of the treatment.

orBec-TM- has completed a phase I/II clinical trial and a randomized phase II/III clinical trial, achieving statistical significance and its primary endpoint, increasing the caloric intake of patients suffering from intestinal GVHD who were treated with orBec-TM- compared to those treated with a placebo. On October 25, 2000 the FDA granted "fast track" status of CTD's application for use of orBec-TM- for the treatment of intestinal GVHD. Under special circumstances, the FDA grants a company's product fast track review, in which case the FDA must review the related NDA within 6 months. Fast-track designation is typically granted when a product treats unmet medical needs. orBec-TM- has also been designated as an "orphan drug" by the FDA for treatment of intestinal GVHD and prevention of GVHD. CTD started a phase III clinical trial in May 2001. The multicenter phase III clinical trial will consist of a total of 130 patients. The results of this phase III trial will form the basis for an NDA that CTD plans to file with the FDA.

Concurrently with the phase III clinical trial, CTD plans to initiate one or more phase II clinical trials of orBec-TM- for treatment of Crohn's disease and ulcerative colitis and prevention of GVHD. Crohn's disease is a serious inflammatory disease of the gastrointestinal tract. It predominates in the small intestine and the large intestine, but may occur in any section of the gastrointestinal tract. The disease can be localized in patches of bowel. Crohn's disease usually causes diarrhea and painful abdominal cramps, often results in fever, and at times causes rectal bleeding. Loss of appetite and subsequent weight loss may also occur. Crohn's disease is chronic and its cause is not known. Medication that is currently available decreases inflammation and usually controls the symptoms, but does not provide a cure for the disease.

Ulcerative colitis is an inflammatory disease of the large intestine and is characterized by inflammation and ulceration of the innermost lining of the colon. Symptoms characteristically include diarrhea with or without rectal bleeding and, often, abdominal pain. Ulcerative colitis differs from Crohn's disease in significant ways. It affects only the colon, where the inflammation is maximal in the rectum and extends up the colon in a continuous manner without any "skip" areas of normal intestine. Further, only the innermost lining of the colon is affected. In contrast, Crohn's disease can affect the entire thickness of the bowel wall.

Because Crohn's disease behaves similarly to ulcerative colitis, from which it may be difficult to differentiate, the two disorders are grouped together as inflammatory bowel disease, or IBD. According to the Crohn's and Colitis Foundation, there are currently in the United States approximately 800,000

persons suffering from inflammatory bowel disease (roughly half of those patients have Crohn's disease, while the other half have ulcerative colitis), and each year there are in the United States approximately 20,000 new cases of IBD.

Upon approval by the FDA, CTD plans to conduct further clinical trials of the effectiveness of orBec-TM- in treating ulcerative colitis and Crohn's disease and in preventing GVHD. Assuming positive results from the clinical trials, this will entail filing sNDAs for the above-mentioned indications.

ORAPRINE-TM-

Through its majority-owned subsidiary, Oral Solutions, Inc., CTD is developing Oraprine-TM-, an oral suspension of Azathioprine, or AZA. The composition-of-matter patent covering AZA has expired. In 1999, Oral Solutions licensed the know-how and clinical data relating to Oraprine-TM- from Dr. Joel B. Epstein. Dr. Epstein also assigned to Oral Solutions a United States patent application covering the use of Oraprine-TM- to treat oral autoimmune diseases.

AZA is a widely used immunosuppressive medication in clinical medicine. AZA is commonly prescribed in tablet form to organ transplant patients to suppress the body's defenses against foreign bodies, specifically the transplanted organ. This increases the chances of preventing the transplanted organ from being rejected by the patient.

This suppression of the body's defenses makes AZA useful in treating rheumatoid arthritis. AZA is prescribed as a "second-line" treatment for severe, active rheumatoid arthritis in patients who do not respond to initial arthritis medications. According to IMS Health, in 2000 approximately one million units of AZA were sold in the United States for total revenues of $65 million.

A phase I bioequivalency clinical trial has been completed in the United States for Oraprine-TM-. This phase I trial demonstrated that Oraprine-TM- is equivalent to the currently marketed Imuran-Registered Trademark- tablet. CTD plans to discuss these results with the FDA, and currently anticipates conducting a larger bioequivalency trial, the results of which would be used to file for FDA approval of the oral suspension formula of AZA. Before conducting this trial, CTD will need to manufacture additional quantities of Oraprine-TM-. It will at the same time reformulate the Oraprine-TM- suspension, which will add at least several months to the approval process.

CTD plans to file an Abbreviated New Drug Application, or ANDA, for Oraprine-TM-. CTD proposes to position Oraprine-TM- as a specialty generic product, to be used by patients with autoimmune disorders who cannot swallow medicines in tablet form. In particular, children, the elderly, and cancer patients are prone to this difficulty. Post-approval, CTD plans to conduct studies in patients who are afflicted with chronic oral ulcerations, such as oral GVHD and other autoimmune diseases of the mouth and upper esophagus. CTD has completed a pilot phase I/II clinical efficacy trial using Oraprine-TM- to treat oral GVHD and has also successfully completed a phase I bioequivalency trial demonstrating that Oraprine-TM- is bioequivalent to the tablet Imuran-Registered Trademark-. CTD has filed patent applications for the use of Oraprine-TM- to treat oral autoimmune disorders. In addition, the FDA has granted orphan drug status for CTD's application for use of Oraprine-TM- for the treatment of oral GVHD.

ORAL-SUSPENSION DRUG DELIVERY TECHNOLOGY

Formulation Technologies, Inc., a wholly owned subsidiary of CTD, has an option, expiring January 20, 2002, to license an oral tablet drug delivery technology from University Pharmaceutics of Maryland, Inc., a contract manufacturing organization that is majority-owned by the University of Maryland. This technology allows a pharmaceutical tablet to rapidly break apart in water into a suspension that can be swallowed by patients.

METROPT-TM-

CTD's majority-owned subsidiary, RxEyes, Inc., has licensed rights to two United States patents and certain foreign patent rights, as well as know-how,

relating to certain aspects of using Metropt-TM-, an ophthalmic formulation of metronidazole, to treat blepharitis, dry eye, and blepharitis associated dry-eye syndrome. Metronidazole is a broad-spectrum antibiotic that is especially effective against anaerobic infections (infections that grow in the absence of oxygen). In body areas where there is poor central circulation and therefore an inadequate blood supply, only bacteria that can live without oxygen can survive. In such conditions, the metronidazole compound changes so as to inhibit the DNA repair enzymes that normally would repair cells. This kills anaerobic bacteria but has no effect on aerobic tissues. Metronidazole has been approved by the FDA for use in oral, vaginal, dermatological, and intravenous forms for a variety of inflammation-related indications.

CTD has an FDA-approved investigational new drug application, or IND, for Metropt-TM-. CTD is currently seeking a partner in the ophthalmics industry to aid in developing Metropt-TM-. CTD is in a dispute with the licensors of Metropt-TM- regarding whether CTD is required to pay the licensors certain payments provided for in the license agreement dated April 14, 1998, between CTD and the licensors. In relation to this dispute, the licensor's have alleged that CTD is in breach, and communicated their intent to terminate the license agreement. CTD maintains that it is not required to make those payments, as the formulation of Metropt-TM- developed by the licensors was not commercially viable due to sterility problems and because another development stage company that licensed Metropt-TM- was unable to develop a safe and effective product based on this formulation. This dispute is not currently the subject of litigation. To date, CTD has also been unable to prepare a formulation of Metropt that can be used in the eye without causing excessive discomfort.

ALLERGAN MILESTONE PAYMENTS

CTD's majority-owned subsidiary, Intero Corp., obtained an exclusive license from Johns Hopkins University to two issued patents and phase II/III clinical data relating to use of endoscopic injections of BOTOX-Registered Trademark- (botulinum toxin type A) to treat gastrointestinal disorders, including achalasia, morbid obesity, sphincter of oddi dysfunction, constipation, and benign prostatic hyperplasia. CTD was near completion of an FDA-sponsored multi-center phase II/III clinical trial for the treatment of achalasia, a rare, life-threatening muscle spasm of the esophageal sphincter, when in December 1999 CTD sold to Allergan, Inc. the assets of Intero, including the two issued patents, the clinical data, and the related IND filed by Intero with the FDA.

As the purchase price for its assets, Intero received a payment of $3.5 million, of which CTD received approximately $2.9 million. Intero is entitled to receive a milestone payment of $3 million from Allergan for each of the first two FDA approvals Allergan is granted for use of the BOTOX-Registered Trademark- technology acquired from Intero.

MARKETING STRATEGIES

CTD has various licensing and marketing strategies depending on the nature of its ACE products. One such strategy is the direct marketing of niche ACE products for rare diseases and conditions. CTD intends to market orBec-TM-, its lead ACE product for the treatment of intestinal GVHD, directly to physicians and centers that perform bone marrow transplants. A successful bone marrow transplant and post-operative treatment of intestinal GVHD requires a specialized medical team of doctors, nurses, and other support staff at these major medical centers. Since this represents a small niche market, CTD believes it can directly market its drug product to the GVHD and bone marrow transplant specialists at these centers in part by means of special conferences, symposiums, and lectures catering to the target professionals, as well as through published papers focusing on this rare medical condition. CTD intends to promote Oraprine-TM- to patients and medical professionals in a similar manner.

This

strategy will allow CTD to avoid having to develop an extensive sales and marketing infrastructure to promote its niche drug products. However, at this time CTD has no marketing or sales personnel.

Any ACE product that is targeted to a larger market such as Crohn's disease and ulcerative colitis will require a larger sales force and marketing infrastructure. CTD may enter into co-marketing arrangements or license marketing rights to corporate partners that have established marketing forces with supporting distribution capabilities. CTD's strategy is to negotiate agreements with potential corporate partners for up-front payments, milestone payments, a percentage of net product sales, or a combination of these payment schemes. The revenues that CTD derives from those of its ACE products that target larger markets will depend on the degree of success achieved by CTD's corporate partners in licensing, manufacturing, distributing, and marketing those products.

COMPETITION

The pharmaceutical industry is highly competitive. CTD's competitors are major pharmaceutical and biotechnology companies, most of whom have considerably greater financial, technical, and marketing resources than CTD. Another source of competing technologies is universities and other research institutions, and CTD faces competition from other companies to acquire rights to those technologies.

Competition is particularly intense in the gastroenterology and transplant areas being addressed by CTD. Numerous companies are attempting to develop technologies to treat GVHD by suppressing, through various mechanisms, the immune system. Some companies, including Sangstat, Abgenix, and Protein Design Labs, Inc., are developing monoclonal antibodies to treat GVHD. Biotransplant, Novartis, Medimmune, and Ariad are developing both gene therapy products and small molecules to treat GVHD. All of these products are in various stages of clinical development.

Competition is also intense in the therapeutic area of IBD, including Crohn's disease and ulcerative colitis. Several companies, including Centocor, Immunex, and Celgene, have products that are currently FDA approved. These products are all in the class of tumor necrosis factor modulating drugs. For example, Centocor, a subsidiary of Johnson & Johnson, markets the drug product Remicade-Registered Trademark-. Other drugs used to treat IBD include another orally-active corticosteroid called budesonide, which is being marketed by AstraZeneca in Europe and Canada under the tradename of Entocort. Entocort is structurally similar to BDP, and AstraZeneca has recently filed for FDA approval in the United States. In addition, Salix Pharmaceuticals, Inc. markets an FDA-approved therapy for ulcerative colitis.

Several companies have also established various colonic drug delivery systems to deliver therapeutic drugs to the colon for treatment of Crohn's disease. These companies include Ivax Corporation, Inkine Pharmaceutical Corporation, and Elan Pharmaceuticals, Inc. Other approaches to treat gastrointestinal disorders include antisense and gene therapy. Isis Pharmaceuticals, Inc. is in the process of developing antisense therapy to treat Crohn's disease.

The pharmaceutical industry has undergone, and is expected to continue to undergo, rapid and significant technological change, and competition is expected to intensify as technical advances are made in each field and become more widely known. In order to compete effectively, CTD will need to continually upgrade its

scientific expertise and technology, identify and retain capable management, and pursue scientifically feasible and commercially viable opportunities. CTD's competition will be determined in part by the indications for which its products are developed and ultimately approved by the regulatory authorities. An important factor in competition will be the timing of market introduction and the cost of CTD's products and those of its competitors. Accordingly, the relative speed with which CTD can develop products and complete clinical trials and approval processes and supply commercial quantities of products to the market will likely be an important competitive factor.

EMPLOYEES

As of October 15, 2001, CTD had two full-time employees and one part-time employee, all of whom are engaged in management and research-and-development activities. CTD, through its subsidiaries, relies heavily on consultants to perform tasks, including regulatory analysis, medical monitoring, pharmacokinetic analysis (relating to the distribution of drug products in the body), and statistical analysis.

PROPERTIES

CTD leases a 1,000-square-foot office facility in Miami Beach, Florida, under a lease with an unaffiliated party. The lease term ends May 1, 2002. Pursuant to an oral agreement with CTD, Steve H. Kanzer has since August 1, 2001, paid and will continue to pay through the term of this lease, half of CTD's rent and utilities costs.

CORPORATE STRUCTURE

CTD is a holding company that does business and carries out its operations primarily through its subsidiaries, four of which are majority-owned and one of which is wholly owned by CTD. CTD itself does not conduct any research, nor own or have rights to any licenses, technology or assets other than its equity interest in its subsidiaries. Each CTD subsidiary and CTD's percentage of ownership of that subsidiary are listed below, together with the product or technology being developed by that subsidiary.

CTD SUBSIDIARY	CTD % OWNERSHIP	PRODUCT OR TECHNOLOGY
Enteron Pharmaceuticals, Inc.	80.43%	orBec-TM-
Oral Solutions, Inc.	80%	Oraprine-TM-
RxEyes, Inc.	82.02%	Metropt-TM-
Intero Corp.	85%	None
Formulation Technologies, Inc.	100%	Oral-suspension drug delivery technology

CTD was incorporated in Delaware in December 1997 as Institute for Drug Research, Inc. for purposes of acquiring an 87.5% ownership interest in Institute for Drug Research, Ltd., a Hungarian limited liability company engaged in contract research-and-development. In November 1999, after it sold its ownership interest in the Hungarian company, it changed its name to Corporate Technology Development, Inc. and developed its current business strategy. Each of its subsidiaries is a Delaware corporation. CTD's principal executive offices are located at 1680 Michigan Avenue, Suite 700 Miami Beach, Florida 33139, and its telephone number is (305) 777-2258.

LEGAL PROCEEDINGS

CTD is in a dispute with the licensors of Metropt-TM- regarding whether CTD is required to pay the licensors certain payments provided for in the license agreement dated April 14, 1998, between CTD and the licensors. CTD maintains that it is not required to make those payments, as the formulation of Metropt-TM- developed by the licensors is not commercially viable. This dispute is not currently the subject of litigation.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

COLIN BIER, PH.D., 55, has served as Chairman of the board of directors of CTD since 2000 and as a director since 1998. Since 1989, Dr. Bier has been Managing Director of ABA BioResearch, an independent bioregulatory consulting firm. Prior to founding ABA BioResearch, Dr. Bier was a

founder, President and Chief Executive Officer of ITR Laboratories, Inc., a contract research organization. Prior thereto, he was Vice President and Director of Experimental Toxicology and Clinical Pathology at Bio-Research Laboratories, Ltd. in Montreal, Quebec, a contract research organization. He is a leading authority on toxicology, pharmaceutical, and biotechnology regulatory and strategic development. Dr. Bier serves as a director of Neurochem, Inc. and Boston Life Sciences, Inc., both public biopharmaceutical companies. Dr. Bier is also the chief executive of the Centre for Translational Research in Cancer R&D of the Sir Mortimer B. Davis--Jewish General Hospital in Montreal, Canada. Dr. Bier is also a Senior Clinical Advisor to TVM TechnoVenture Management, CTD's largest investor. Dr. Bier received his Ph.D. in Experimental Pathology from Colorado State University, and pursued a post-doctoral studies as a Medical Research Council Fellow and Dr. Douglas James Fellow in pathology at McGill University. Upon completion of the merger, Dr. Bier will become the Chairman and Chief Executive Officer of Endorex and will serve on the Endorex board of directors.

PETER KLIEM, 62, has served on CTD's board of directors since 1998. Mr. Kliem is a co-founder, Chief Operating Officer and Executive Vice President of Enanta Pharmaceuticals, Inc., a Cambridge, Massachusetts-based drug discovery company. Prior to establishing Enanta, he worked with Polaroid Corporation for 36 years, most recently in the positions of Senior Vice President of Business Development, Senior Vice President of Electronic Imaging, and Senior Vice President of Research and Development. He serves as a trustee and Vice President of the Boston Biomedical Research Institute and served as the Chairman of PB Diagnostics, Inc. Mr. Kliem earned his M.S. in Chemistry from Northeastern University. Mr. Kliem is a director of Atlantic Technology Ventures, Inc., a public biotechnology company, and he serves as Industry Advisor to TVM Techno Venture Management. Upon consummation of the merger, Mr. Kliem will serve on the board of directors of Endorex.

GUY R. RICO, 55, has served on CTD's board of directors since 1999. Since 1996, Mr. Rico has been the Managing Director of Financiere Tuileries, a management company approved by the Commission des Operations de Bourse with the purpose of managing the assets repurchased from Union des Assurances de Paris, a leading European insurance company. Financiere Tuileries is the European affiliate of Paul Capital Partners, a private equity group with venture capital, leveraged buyout, and mezzanine partnership interests in operating companies and royalty interests in healthcare and pharmaceutical products. Prior to founding Financiere Tuileries, Mr. Rico was the director of Compagnie Financiere de Rombas, a Paris, France-based publicly-traded holding company and subsidiary of Union des Assurances de Paris. From 1975 to 1985, Mr. Rico was the Head of

Equity Research at Union des Assurances de Paris, where he led a team of 11 analysts in the energy and automotive business. From 1990 to 1995, Mr. Rico sat on the Scientific Advisory Board of the Societe des Bourses Francaises, the managing body of the French Stock Exchange. Mr. Rico has served on the board of several companies such as Sidec, Laboratories Pharmygiene Medipole, Superba, Cartier, and Sheaffer. Mr. Rico holds a degree in Engineering from Ecole Centrale and a Masters Degree of Economics and Econometrics from the University of Economics, in Lyon, France. Mr. Rico is also is a Chartered Financial Analyst. Upon consummation of the merger, Mr. Rico will serve on the Endorex board of directors.

STEVE H. KANZER, C.P.A., Esq., 37, has been President and Chief Executive Officer of Corporate Technology Development, Inc. since December 1997. Since December 2000, Mr. Kanzer has also been Chairman, Chief Executive Officer and President of Accredited Equities, Inc., a venture capital and investment banking firm based in Miami, and President of several private biopharmaceutical companies also based in Miami. From 1992 until December 1998, Mr. Kanzer was a founder and Senior Managing Director of Paramount Capital, Inc., an investment bank specializing in the biotechnology and biopharmaceutical industries, and Senior Managing Director--Head of Venture Capital of Paramount Capital Investments, LLC, a biotechnology and biopharmaceutical venture capital and merchant banking firm that is affiliated with Paramount Capital, Inc. From 1993 until June 1998, Mr. Kanzer was a founder and a member of the board of directors of Boston Life Sciences, Inc., a publicly traded

pharmaceutical research and development company. From 1994 until June 2000, Mr. Kanzer was a founder and Chairman of Discovery Laboratories, Inc., a publicly traded pharmaceutical research and development company. Mr. Kanzer is a member of the board of directors of Endorex. Prior to joining Paramount Capital, Inc., Mr. Kanzer was an attorney with Skadden, Arps, Slate, Meagher & Flom LLP in New York, New York from September 1988 to October 1991. He received his J.D. from New York University School of Law in 1988 and a B.B.A. in Accounting from Baruch College in 1985.

NICHOLAS STERGIOPOULOS, 27, has served as Secretary, Treasurer, and Director of Corporate Development of CTD since 1998. Prior to joining CTD, from 1997 to 1998 Mr. Stergiopoulos was an associate with Paramount Capital Investments, LLC, a biotechnology, biomedical, and biopharmaceutical merchant banking firm, where he participated in the startup, acquisition, and financing of several biotechnology companies. Prior to joining Paramount, from 1997 to 1998, Mr. Stergiopoulos worked briefly in the sales and trading department of CIBC Oppenheimer & Company. Mr. Stergiopoulos received his M.S. in biology from New York University in 1997 and a B.S. in biology from the University at Albany, State University of New York. Mr. Stergiopoulos is also a member of the New York Chapter of the Licensing Executive Society.

EXECUTIVE COMPENSATION

The following table sets forth information relating to compensation paid during CTD's fiscal years ended December 31, 2000, 1999 and 1998 to its Chief Executive Officer. No other executive officers of CTD at December 31, 2000 had a base salary during the year in excess of $100,000.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION	LONG-TERM COMPENSATIO

NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	SECURITIES UNDE OPTIONS (#
Steve H. Kanzer,.....	12/31/00	185,750	74,375	--
President & Chief Executive Officer	12/31/99	31,447	181,250	--
	12/31/98	64,591	--	772,725

No options or SARs that would be reportable were granted by CTD to its Chief Executive Officer during the fiscal year ended December 31, 2000.

The following table sets forth information with respect to CTD's Chief Executive Officer concerning exercisable and unexercisable options that he held as of December 31, 2000. CTD's Chief Executive Officer did not exercise any options during fiscal year 2000 and CTD has never granted stock appreciation rights. The value of unexercised in-the-money options at fiscal year-end equals (1) the assumed fair market value of CTD common stock at December 31, 2000, which CTD has determined to be $0.20 per share, which is the per share exercise price of stock options granted during fiscal year 2000, minus (2) the per share exercise price of stock options granted during fiscal year 2000, which is $0.20.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/00 (#) EXERCISABLE/UNEXERCISABLE	VALUE IN-THE AT EXERCISA
Steve H. Kanzer.....	--	--	618,180/0	

EMPLOYMENT AGREEMENTS

CTD has an employment agreement with Nicholas Stergiopoulos, its Director of Corporate Development, for a term expiring June 2002. This agreement provides for Mr. Stergiopoulos to receive a base salary of $98,000 per year, with cost-of-living adjustments beginning May 1, 2000. It also provides that Mr. Stergiopoulos is entitled to a bonus of up to $20,000 per year, at the discretion of the board of directors, and is entitled, on October 1, 1998, and each year thereafter, to receive an option to purchase 100,000 shares of CTD common stock (up to a total of 400,000 shares) at a purchase price of $0.20 per share, with each option having a term of five years. Mr. Stergiopoulos is entitled to a bonus of 1% of the gross proceeds of any acquisition of CTD, and is entitled to a $50,000 bonus upon CTD becoming public through a reverse merger or other alternative means. Pursuant to the merger agreement, this agreement will be terminated prior to consummation of the merger.

CERTAIN TRANSACTIONS OF CTD

On April 24, 2000, CTD entered into an agreement with Dr. Nicholas Bodor, a stockholder and former director of CTD. Other parties to this agreement were Precision Pharmaceuticals, Inc., or Precision, which has since been dissolved, as well as Magyar Pharmaceuticals, Inc., or Magyar, which has since been dissolved but which was then owned 90% by CTD and 10% by Dr. Bodor, and CTD Drug

Design, Inc., a wholly owned subsidiary of CTD that has since been dissolved. The purpose of the agreement was to restructure contractual relations between the parties.

Dr. Bodor and Precision were party to two license agreements dated October 31, 1997, and amended December 31, 1998, pursuant to which Dr. Bodor granted to Precision an exclusive license to patents and know-how to make, use, and sell orally or rectally administered loteprednol etabonate and topically administered loteprednol etabonate (collectively, Loteprednol), along with the right to grant sublicenses (collectively, the Loteprednol License Agreements). Pursuant to a sublicense agreement dated December 31, 1998, between Precision and Magyar, or the Sublicense Agreement, Precision granted Magyar an exclusive sublicense under the Loteprednol License Agreements. In the agreement, Precision and Dr. Bodor terminated the Loteprednol License Agreements and Precision and Magyar terminated the Sublicense Agreement. In addition, Dr. Bodor agreed to pay CTD 25% of any revenue he receives from certain named entities in connection with commercialization of Loteprednol. Dr. Bodor, RM Drugs, Inc., a corporation wholly owned by Dr. Bodor and his wife, and CTD Drug Design were party to an agreement and plan of reorganization dated as of December 31, 1998, which provided for acquisition by CTD Drug Design of the assets of RM Drugs. In the agreement between Dr. Bodor and CTD, Dr. Bodor agreed that the agreement and plan of reorganization was terminated, and he also agreed to release CTD Drug Design from any claims related thereto. CTD did not retain an independent party to evaluate this transaction and it was not evaluated by an independent committee of CTD's board of directors. Nevertheless, CTD believes that the terms of this transaction were fair to CTD and were negotiated without regard to Dr. Bodor's being a stockholder or former director of CTD.

CTD MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Since its inception, CTD has focused its efforts and resources on developing and commercializing pharmaceutical products and technologies. CTD has not been profitable since it was founded and has incurred a cumulative deficit of approximately $7.5 million through December 31, 2000. CTD expects its operating losses to increase significantly over the next several years, primarily due to expansion of its research and development programs, including clinical trials for some or all of its existing products and technologies and other products and technologies that it may acquire or develop.

CTD's ability to achieve profitability depends upon, among other things, its ability to discover and develop products, obtain regulatory approval for its proposed products, and enter into agreements to in-license, research and develop, manufacture, and commercialize products. Moreover, there can be no assurance that CTD will ever achieve significant revenues or profitable operations from the sale of any of its products or technologies.

CTD was originally organized in 1997 as the Institute for Drug Research, Inc. to acquire Institute for Drug Research, Ltd., or IDR Hungary, a drug research facility located in Budapest, Hungary. In early 1998, CTD acquired an 87.5% ownership interest in IDR Hungary and concurrently obtained $15.2 million of financing through a private placement of shares of its Series A preferred stock. CTD's initial business plan was to conduct contract research on behalf of biotechnology and pharmaceutical companies.

During December 1998, in an effort to build its product pipeline, CTD acquired a number of companies that owned or held licenses to various compounds and technologies in various stages of clinical development. CTD acquired these

companies from Paramount Capital Investments, LLC for $162,000 and CTD's assumption of $107,000 of liabilities.

On October 12, 1999, CTD sold its majority ownership in IDR Hungary to IVAX Corporation, a specialty pharmaceutical company, for $5,750,000. After this sale, CTD changed its name to Corporate Technology Development, Inc.

During early December 1999, Intero Corp., an 85%-owned subsidiary of CTD, sold substantially all of its assets to Allergan Botox Limited for $3,500,000 in cash paid by Allergan, Inc. Intero's principal asset was a license agreement dated February 5, 1999, between Intero and Johns Hopkins University for a patent portfolio relating to the internal uses of neurotoxins, specifically botulinum toxin.

Since CTD's inception, CTD has not generated any revenue. However, CTD may receive two milestone payments of $2,000,000 and $1,000,000 from Allergan Botox Limited upon satisfaction of certain conditions, including the successful commercialization of the patents and intellectual property acquired from Intero. In addition, CTD is also entitled to 25% of any amounts recovered by IDR Hungary in a lawsuit it brought in Hungary against a large Hungarian pharmaceuticals and specialty chemicals company for nonpayment of royalties. CTD cannot be assured of receiving these milestone payments or any payments from IDR Hungary's lawsuit.

CTD is currently engaged in developing and commercializing drugs in the area of transplantation medicine and gastroenterology. CTD anticipates that during the next 18 to 24 months it will conduct substantial research and development of the products it is developing.

At the end of 2000, CTD relocated its executive offices from New York, New York, to Miami, Florida, and as a result has reduced the number of its employees from four to two.

CTD anticipates that the primary focus of its research-and-development activities will be to complete the proposed phase III clinical trial, started in May 2001, for the use of orBec-TM- to treat

intestinal graft-versus-host disease, or GVHD. CTD intends to enroll approximately 130 patients in this trial, which is to be conducted at up to 15 clinical sites in the United States and Europe. CTD expects that this trial will last approximately 14 to 18 months. In addition, CTD intends to initiate in the fourth quarter of 2001 two phase II clinical trials for the use of orBec-TM- to treat Crohn's disease and ulcerative colitis, and intends in the first quarter of 2002 to initiate a phase II clinical trial for the use orBec-TM- to prevent GVHD. In addition, during the fourth quarter of 2000, CTD initiated a phase I bioequivalency trial for Oraprine-TM- that demonstrated that Oraprine-TM- is equivalent to the tablet Imuran-Registered Trademark-.

RESULTS OF OPERATIONS

COMPARISON OF SIX-MONTH PERIODS ENDED JUNE 30, 2001 AND 2000

CTD's research and development expense in the first half of 2001 was approximately $880,000, as compared to approximately $558,000 during the same period of 2000. This increase was primarily due to preparation for the phase III clinical trial for the use of orBec-TM- to treat intestinal GVHD.

General and administrative expense in the first half of 2001 was approximately $724,000, as compared to $607,000 during the same period of 2000. This increase was primarily due to increased legal and accounting costs

associated with negotiating the merger of CTD with Endorex.

Interest income for the first six months of 2001 was $173,000, as compared to $230,000 during the first six months of 2000. This decrease was primarily due to a decrease in cash available for investment because of the increases in research and development spending.

CTD's net loss for the first six months of 2001 was $1,431,000, as compared to $935,000 during the first six months of 2000. This increase was primarily due to preparation for the phase III clinical trial for orBec-TM-.

COMPARISON OF YEARS ENDED DECEMBER 31, 2000 AND 1999

CTD's research-and-development expense during 2000 was approximately $1.3 million, as compared to $955,000 during 1999. This increase was primarily due to preparation for the phase III clinical trial for the use of orBec-TM- to treat intestinal GVHD.

General and administrative expense during 2000 was approximately $1.3 million, as compared to $1.5 million during 1999. This decrease was due to CTD having reduced its number of employees from eight to two.

Interest income during 2000 was approximately $428,000, as compared to $167,000 during 1999. This increase was primarily due to an increase in the amount of cash held by CTD resulting from CTD's sale of its 87.5% ownership interest in IDR Hungary and sale of the assets of its subsidiary, Intero Corp. to Allergan Botox Limited.

During 1999, CTD recorded a write-off of licenses in the amount of $1,822,000 due to its having terminated license agreements with the University of Florida Research Foundation, Inc. and Dr. Nicholas Bodor. Also in 1999, CTD recognized a gain of $3,052,000 upon the sale of assets of its subsidiary Intero Corp. to Allergan Botox Limited. There were no such write-offs or sales in 2000.

CTD incurred a loss of $4,852,000 from the operations of its majority owned subsidiary, IDR Hungary, from January 1, 1999 through October 12, 1999, the date CTD sold to IVAX Corporation its ownership interest in IDR Hungary. CTD recognized a gain of $4,956,000 upon the sale.

CTD's net loss for 2000 was $2.25 million as compared to $1.3 million for 1999. This increase is primarily due to the absence in 2000 of transactions comparable to the 1999 transactions described above.

LIQUIDITY

As of June 30, 2001, and December 31, 2000, CTD had working capital of approximately $4.8 million and $6.3 million, respectively. CTD's primary sources of cash have been the net proceeds of $13,150,000 from the 1998 Series A preferred stock financing, proceeds of approximately $5.75 million from the sale in October 1999 of its majority ownership in IDR Hungary to IVAX Corporation, and approximately $2.9 million from CTD's share of the proceeds of the sale in December 1999 of substantially all of Intero's assets to Allergan Botox Limited. CTD's gross proceeds from sale of its ownership interest in IDR Hungary were approximately $3 million less than CTD's investment in, and advances to, IDR Hungary.

CTD believes its current working capital is sufficient to meet its planned research and development activities through the first quarter of 2003. CTD will, however, need additional financing from investors or collaborators to complete research and development, commercialization and launch of its current product

candidates.

Historically, CTD's working capital has been secured through private financings. In May and July 1998, pursuant to a private placement offering, CTD sold 152.575 units, each unit consisting of 50,000 shares of Series A preferred stock, with a price per unit of $100,000 ($2.00 per share of Series A preferred stock). Net proceeds from the private placement were approximately $13,150,000. As of June 30, 2001, aggregate unpaid accrued dividends equaled $30,515,000.

The placement agent for the private placement, Paramount Capital, Inc., received approximately $1,998,000 in cash plus warrants to acquire through January 15, 2008, 762,875 shares of CTD's Series A preferred stock at a price of $2.20 per share. Paramount subsequently transferred these warrants to its employees and brokers. The warrants contain certain anti-dilution provisions and may be exercised on a "cashless exercise" basis.

CTD's capital requirements will depend on many factors. These factors include:

- expenses associated with completing the merger;
- problems, delays, expenses and complications frequently encountered by development stage companies;
- the progress of CTD's research, development and clinical trial programs;
- the extent and terms of any future collaborative research, manufacturing, marketing or other funding arrangements;
- the cost and timing of, and any delays in, seeking and obtaining regulatory approvals of CTD's products;
- the ability to enter into corporate partnerships and collaborations to in-license, acquire, research and develop and commercialize CTD products;
- the success of CTD's sales and marketing programs;
- the costs of filing, prosecuting and defending and enforcing any patent claims and other intellectual property rights; and
- changes in economic, regulatory, or competitive conditions of CTD's planned business.

Estimates of the adequacy of funding for CTD's activities are based on certain assumptions, including the assumption that testing and regulatory procedures relating to CTD's products can be conducted at projected costs. There can be no assurance that changes in CTD's development plans, acquisitions or other events will not result in accelerated or unexpected expenditures.

CTD's working capital requirements will depend upon numerous factors, including without limitation the progress of CTD's research and development programs, preclinical and clinical testing, the timing and cost of obtaining regulatory approvals, the resources that CTD devotes to developing manufacturing and marketing capabilities, technological advances, the status of competitors, and CTD's ability to establish collaborative arrangements with other organizations.

PRINCIPAL STOCKHOLDERS OF CTD

The following table contains information regarding the beneficial ownership of CTD common stock and Series A preferred stock as of October 15, 2001, by the following individuals or groups:

- each person or entity who is known by CTD to own beneficially more than 5% of its common stock or Series A preferred stock;
- each of the chief executive officer and the four other executive officers who earned more than $100,000 during 2000;
- each of CTD's directors; and
- all directors and executive officers of CTD as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and subject to community property laws where applicable, the stockholders named in the table below have sole voting and investment power with respect to all shares of CTD common stock and preferred stock shown as beneficially owned by them. Percentage ownership is based on 5,000,000 shares of CTD common stock and 7,628,750 shares of Series A preferred stock outstanding on October 15, 2001. Options or warrants for CTD's common stock and Series A preferred stock that are currently exercisable or exercisable within 60 days of October 15, 2001 are deemed to be outstanding and beneficially owned by the person holding the warrants or stock options for purposes of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

	COMMON STOCK		SERIES A PREFERRED	
NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES	PERCENTAGE OF CLASS	NUMBER OF SHARES	PERC OF
Lindsay A. Rosenwald, M.D.(1) ..... 787 Seventh Avenue, 48th Floor New York, NY 10019	3,094,169	56.5%	478,819	
TVM Techno Medical Ventures GmbH & Co. KG(2) ..... 101 Arch Street, Suite 500 Boston, MA 02110	1,350,000	% 21.3	1,350,000	1
Nomura Bank(3) ..... (Switzerland) Ltd. Kasamaristrasse I Zurich, Switzerland CH8021	1,200,000	19.4%	1,200,000	1
Rivki Rosenwald(4) ..... 787 Seventh Avenue, 48th Floor New York, NY 10019	445,000	8.9%	--	
Imprimus Investors, LLC(5) ..... 411 West Putman Avenue Greenwich, CT 06830	500,000	9.1%	500,000	
Bristol Rittenhouse Investments, LP(5)	500,000	% 9.1	500,000	

1 Rockefeller Plaza
Suite 1010
New York, NY 10020

NAME AND ADDRESS OF BENEFICIAL OWNER	COMMON STOCK NUMBER OF SHARES	COMMON STOCK PERCENTAGE OF CLASS	SERIES A PREFERRED NUMBER OF SHARES	SERIES A PREFERRED PERC OF
Peter Kash(6) ..... c/o Paramount Capital, Inc. 787 Seventh Avenue 48th Floor New York, NY 10019	260,813	5.0%	170,813	
Nicholas Bodor ..... 3929 SW 69th Avenue Gainesville, FL 32608	250,000	5.0%	--	
Kenneth Johnson ..... 2201 Williams Pt. Drive Stoughton, WI 53589	250,000	5.0%	--	
MANAGEMENT:				
Steve H. Kanzer(7) ..... 300 South Point Drive, Suite 3501 Miami Beach, FL 33139	1,182,180	21.0%	--	
Nicholas Stergiopoulos(8) ..... 1541 Brickell Avenue, Apt. 2706 Miami, FL 33129	552,773	10.1%	--	
Colin Bier, Ph.D.(9) ..... 677 Dr. Frederik Philips Saint-Laurent, Quebec Canada H4M-2W4	50,000	*	--	
Guy Rico(10) ..... 28, Avenue de Messine 75008 Paris, France	1,037,500	17.2%	1,000,000	1
Peter Kliem(11) ..... 750 Main Street Cambridge, MA 02139	50,000	*	--	
All directors and officers as a group (5 persons)	2,872,453	39.7%	1,000,000	1

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* Less than 1%

(1) Includes 2,515,350 shares of CTD common stock held by Paramount Capital Drug Development Holdings LLC, of which Dr. Rosenwald is the sole member. Includes 50,000 shares of CTD common stock held by Huntington Street Company and 50,000 shares of CTD common stock held by June Street Company. Dr. Rosenwald is the sole stockholder of both Huntington Street Company and June Street Company. Also includes (i) 303,819 shares of CTD Series A preferred stock issuable upon exercise of a warrant exercisable within 60 days of October 15, 2001, and the 303,819 shares of CTD common stock issuable upon conversion of those shares of CTD Series A preferred stock and (ii) 175,000 shares of CTD common stock issuable upon conversion of 175,000 shares of preferred stock. Dr. Rosenwald disclaims any beneficial ownership of shares beneficially owned by his wife, Rivki Rosenwald and any shares held by Mrs. Rosenwald as

custodian for the benefit of Dr. and Mrs. Rosenwald's children, Doni Rosenwald, Joshy Rosenwald, Demi Rosenwald, and Davy Rosenwald.

(2) Includes 1,350,000 shares of CTD common stock issuable upon conversion of 1,350,000 shares of preferred stock.

(3) Includes 1,200,000 shares of CTD common stock issuable upon conversion of 1,200,000 shares of CTD Series A preferred stock.

(4) Includes 200,000 shares of CTD common stock held by Rivki Rosenwald as custodian for the benefit of Mrs. Rosenwald's children, Doni Rosenwald, Joshy Rosenwald, Demi Rosenwald and Davy Rosenwald (50,000 shares each).

(5) Includes 500,000 shares of CTD common stock issuable upon conversion of 500,000 shares of CTD Series A preferred stock.

(6) Includes 50,000 shares of CTD common stock held by Peter and Donna Kash and 40,000 shares of CTD common stock held by the Kash Family Foundation. Also includes 170,813 shares of CTD common stock issuable upon conversion of 170,813 shares of CTD Series A preferred stock issuable upon exercise of a warrant exercisable within 60 days of October 15, 2001.

(7) Includes options exercisable within 60 days of October 15, 2001 to purchase 618,180 shares of CTD common stock.

(8) Includes options exercisable within 60 days of October 15, 2001 to purchase 477,273 shares of CTD common stock.

(9) Represents an option exercisable within 60 days of October 15, 2001 to purchase 50,000 shares of CTD common stock.

(10) Includes 892,400 shares of CTD Series A preferred stock held by Paul Capital V, L.P., 75,100 shares of CTD Series A preferred stock held by Paul Capital Partners V (Domestic Annex Fund) L.P., and 32,500 shares of CTD Series A preferred stock held by Paul Capital Partners V International, L.P., and the 1,000,000 shares of common stock issuable upon conversion of those shares of preferred stock. Mr. Rico may be considered a beneficial owner of shares owned by Paul Capital V, L.P., Paul Capital Partners V (Domestic Annex Fund) L.P., and Paul Capital Partners V International, L.P. by virtue of his authority to vote and dispose of those shares in his capacity as partner of Paul Capital Partners. Also includes an option exercisable within 60 days of October 15, 2001 to purchase 37,500 shares of common stock.

(11) Represents an option exercisable within 60 days of October 15, 2001 to purchase 50,000 shares of common stock.

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PROPOSALS TO BE VOTED UPON BY ENDOREX STOCKHOLDERS
AT THE ENDOREX ANNUAL MEETING

At the Endorex annual meeting of stockholders, Endorex's stockholders will be asked to consider and vote on the following proposals.

1. to approve the issuance of shares of Endorex common stock, options and warrants pursuant to the merger agreement, dated as of July 31, 2001 by and among Endorex, CTD, and Roadrunner Acquisition, Inc., a wholly owned subsidiary of Endorex, under which CTD will become a wholly owned subsidiary of Endorex;

2. to amend Endorex's Amended and Restated Certificate of Incorporation changing Endorex's name to DOR BioPharma, Inc.;

3. to elect six directors to serve until the next annual meeting of the stockholders of Endorex or until their successors are duly elected and qualified;

4. to amend Endorex's Amended and Restated 1995 Omnibus Incentive Plan, or the 1995 plan, to (i) increase the number of shares of Endorex common stock reserved for issuance by an additional 2,165,664 shares, (ii) implement a maximum annual limit of 500,000 shares of common stock by which the share reserve may increase annually over the term of the 1995 Plan under the automatic share increase provision and (iii) modify the automatic option grant program to (a) increase the initial option grants to newly-elected Board members to 50,000 shares vesting immediately and (b) provide for annual option grants to continuing board members for 10,000 shares vesting over one year;

5. to approve February 21, 2001 option grants to each non-employee member of the Endorex board of directors to purchase 50,000 shares of Endorex common stock; and

6. to ratify the appointment of Ernst & Young LLP as Endorex's independent auditors for the fiscal year ending December 31, 2001.

None of the proposals is contingent upon the passage of any other proposal.

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PROPOSAL ONE: APPROVAL OF THE ISSUANCE OF ENDOREX COMMON STOCK,
OPTIONS AND WARRANTS PURSUANT TO THE
AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

Endorex's board of directors adopted on July 13, 2001, resolutions approving the merger, the merger agreement and the transactions contemplated thereby. The issuance of the shares of Endorex common stock, options and warrants pursuant to the merger agreement must be approved by the affirmative vote of the holders of a majority of the shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis, entitled to vote and that are present or represented by proxy at the Endorex annual meeting of stockholders. Unless this happens, the merger contemplated by the merger agreement cannot be completed. See "The Merger" and "Agreement and Plan of Merger and Reorganization and Related Agreements." Unless otherwise instructed in writing, the proxy holders will vote the proxies received by them "FOR" the approval of the issuance of Endorex common stock, option and warrants pursuant to the merger agreement.

RECOMMENDATION OF THE BOARD OF DIRECTORS

Endorex's board of directors recommends that Endorex stockholders vote "FOR" approval of the issuance of the shares of Endorex common stock, options and warrants pursuant to the merger agreement.

PROPOSAL TWO: APPROVAL OF AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

On September 26, 2001, Endorex's board of directors adopted resolutions proposing to amend Endorex's Amended and Restated Certificate of Incorporation to change Endorex's name to DOR BioPharma, Inc. Endorex's board of directors believes the name change will more appropriately reflect the new focus of Endorex. This amendment to Endorex's Amended and Restated Certificate of Incorporation must be approved by the affirmative vote, in person or by proxy, of the holders of a majority of the outstanding shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis. Unless otherwise instructed in writing, the proxy holders will vote the proxies received by them "FOR" the approval of the amendment of Endorex's Amended and Restated Certificate of Incorporation changing Endorex's name to DOR BioPharma, Inc.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors recommends that the stockholders of Endorex vote "FOR" the approval of the amendment of Endorex's Amended and Restated Certificate of Incorporation changing Endorex's name to DOR BioPharma, Inc.

PROPOSAL THREE: ELECTION OF DIRECTORS

At the annual meeting, six directors are to be elected, each of whom will serve until the next annual meeting of stockholders or until his successor is elected and qualified, or until his death, resignation, or removal. It is intended that any proxies granted will be voted for the six nominees named below unless authority to vote for any such nominee is withheld. Each of the nominees is currently a director of Endorex. Each nominee has agreed to serve if elected, and the board of directors has no reason to believe that any nominee will be unavailable or will decline to serve. If, however, at the time of the annual meeting any nominee is unable or declines to serve as a director, all proxies will be voted for any nominee who is designated by the current board of directors to fill the vacancy. The six candidates receiving the highest number of affirmative votes of shares present or represented by proxy at the annual meeting and entitled to vote on this proposal will be elected directors of Endorex. All nominees were elected by stockholders to the board of directors at the 2000 annual stockholders meeting. If Proposal One is approved by Endorex stockholders and the merger closes, (a) the size of the board of directors will increase to nine members, (b) Dr. Colin Bier, Guy Rico and Peter Kliem, currently directors of CTD, will become directors of Endorex, and (c) Dr. Kenneth Tempero will resign as Chairman of the Endorex board of directors and Dr. Colin Bier will be appointed the new Chairman of the Endorex board of directors.

The affirmative vote of a plurality of those shares of Endorex's outstanding common stock and Series B preferred stock, voting together on an as converted basis, that are represented and voting at the annual meeting, in person or by proxy, is required to elect the directors.

NOMINEES FOR ELECTION AS DIRECTORS

Each nominee furnished to Endorex the following information with respect to the principal occupation or employment, other affiliations, and business experience of each nominee during the last five years.

MICHAEL S. ROSEN, M.B.A., 49, has served as President, Chief Executive Officer and a member of the board of directors since August 1996. From January 1995 until August 1996, he was President and Chief Executive Officer of PharmaMar, S.A., a European biotechnology company. From June 1991 until January 1995, Mr. Rosen was General Manager of the northern Latin American businesses for Monsanto Company, a multinational chemical/pharmaceutical company. Mr. Rosen received a B.A. in Sociology/International Relations from Beloit College and an M.B.A. in International Business from the University of Miami. He has undertaken post-graduate courses at Northwestern University and Sophia University in Tokyo, Japan.

RICHARD DUNNING, 55, has served as a member of the board of directors of Endorex since August 1997. He has been Chairman and Chief Executive Officer of Nexell Therapeutics Inc. since May 1999. Prior to that, he was President and Chief Executive Officer of Nexell since April 1996. Nexell, formerly known as VIMRX Pharmaceuticals Inc., is the leading developer and marketer of innovative diagnostics and ex vivo cell therapies for cancer, autoimmune, metabolic and genetic diseases. Prior to joining Nexell, Mr. Dunning played an instrumental role in the formation of The DuPont Merck Pharmaceutical Company and acted as that organization's Executive Vice President and Chief Financial Officer from 1991 to 1995. Mr. Dunning received a B.S. in Economics and an M.B.A. in Finance from the University of Delaware.

STEVE H. KANZER, C.P.A., Esq., 37, has served as a member of the board of directors since June 1996. Since December 1997, Mr. Kanzer has been President and Chief Executive Officer of Corporate Technology Development, Inc. Since December 2000, Mr. Kanzer has also been Chairman, Chief Executive Officer and President of Accredited Equities, Inc., a venture capital and investment banking firm based in Miami, and President of several private biopharmaceutical companies also based in Miami. From 1992 until December 1998, Mr. Kanzer was a founder and Senior Managing Director

of Paramount Capital, Inc., an investment bank specializing in the biotechnology and biopharmaceutical industries, and Senior Managing Director--Head of Venture Capital of Paramount Capital Investments, LLC, a biotechnology and biopharmaceutical venture capital and merchant banking firm that is affiliated with Paramount Capital, Inc. From 1993 until June 1998, Mr. Kanzer was a founder and a member of the board of directors of Boston Life Sciences, Inc., a publicly traded pharmaceutical research and development company. From 1994 until June 2000, Mr. Kanzer was a founder and Chairman of Discovery Laboratories, Inc., a publicly traded pharmaceutical research and development company. Mr. Kanzer is a member of the board of directors of Atlantic Technology Ventures, Inc., a publicly traded pharmaceutical research and development company. Prior to joining Paramount Capital, Inc., Mr. Kanzer was an attorney with Skadden, Arps, Slate, Meagher & Flom LLP in New York, New York from September 1988 to October 1991. He received his J.D. from New York University School of Law in 1988 and a B.B.A. in Accounting from Baruch College in 1985. Mr. Kanzer is a nominee of the Aries Domestic Fund, LP and the Aries Master Fund II to Endorex's board of directors. Aries Domestic Fund, L.P. and Aries Master Fund II subsequently transferred their right to nominate a member of the board of directors of Endorex to Aries Select, Ltd. and Aries Select I LLC. Both Aries Select, Ltd. and Aries Select I LLC are affiliates of PCAM, PCI, Paramount and Lindsay Rosenwald, M.D.

PAUL D. RUBIN, M.D., 47, has served as a member of the board of directors of

Endorex since November 1997. Since 1999, he has been Executive Vice President for Drug Development at Sepracor, Inc., having previously been Senior Vice President since 1996. He is responsible for managing research and development programs for Sepracor's improved chemical entities portfolio, which includes the management of Discovery Research, Regulatory, Clinical, Preclinical, and Project Management teams. Dr. Rubin also plays a key role in the evaluation of external technology and licensing opportunities. From 1993 to 1996, Dr. Rubin was the Vice President and Worldwide Director of Early Clinical Development and Clinical Pharmacology at Glaxo Wellcome. Prior to Glaxo, Dr. Rubin held various executive research positions at Abbott Laboratories. Dr. Rubin received his M.D. from Rush Medical College in Chicago and completed his residency in Internal Medicine at the University of Wisconsin Hospitals and clinics in Madison, Wisconsin.

KENNETH TEMPERO, M.D., PH.D., M.B.A., 62, was elected Chairman of the Endorex board of directors in May 1999 and has served as a member of the board of directors since September 1996. Since April 1996, Dr. Tempero has been a principal at KTC, Inc., a consulting company. Prior thereto, he served as Chairman and Chief Executive officer of MGI PHARMA, Inc., a company that focuses on the development and sale of cancer therapeutics and related products. From November 1983 to August 1987, Dr. Tempero held various positions with G.D. Searle & Co., a pharmaceutical company, most recently as Senior Vice President of Research and Development. Dr. Tempero holds M.S. and Ph.D. degrees in Pharmacology from Northwestern University, an M.D. in Medicine and Surgery from Northwestern University and an M.B.A. in Pharmaceutical Marketing from Fairleigh Dickinson University.

STEVEN THORNTON, 44, has served as a member of the board of directors since February 1998. He has served as Executive Vice President of Commercial Development for Elan Pharmaceutical Technologies since December 1997. Prior to joining Elan Pharmaceutical Technologies, Mr. Thornton served from July 1994 as President of Schein Bayer Pharmaceutical Services Inc., a joint venture of Bayer and Schein Pharmaceutical Inc. From 1991 to 1994, he served with Bayer as Region Director with responsibility for pharmaceutical operations in Australia, New Zealand and South Africa. Mr. Thornton graduated with honors from Lancaster University in 1978, receiving a B.A. in applied social psychology. Mr. Thornton is the nominee of the holders of Endorex's Series B preferred stock.

BOARD AND COMMITTEE MEETINGS

During the year ended December 31, 2000, the board of directors held 6 formal meetings, of which all members of the board of directors of Endorex, other than Paul Rubin and Steve Thornton, attended at least 75 percent of the meetings. In addition to formal meetings, the board of directors and the members of the Executive, Mergers and Acquisitions, Audit and Compensation Committees confer frequently on an informal basis.

The Compensation Committee of the board of directors determines the salaries and incentive compensation of the officers of Endorex and provides recommendations for the salaries and incentive compensation of the other employees and consultants of Endorex. The Compensation Committee also administers various incentive compensation, stock and benefit plans. Mr. Shaw and Dr. Tempero served on the Compensation Committee until May 16, 2000, and as of May 17, 2000, Dr. Rubin and Mr. Kanzer have served on the Compensation Committee; Dr. Rubin is the Chairman. The Compensation Committee had 2 meetings during fiscal year 2000, of which all the members of the Compensation Committee attended at least 75 percent of the meetings that occurred during the period in which they served as a member of the Compensation Committee.

The Executive Committee of the board of directors acts on the matters referred to it by the full board of directors. Dr. Tempero, the Chairman of the

Executive Committee, Mr. Thornton and Mr. Rosen are currently the Executive Committee members. Mr. Dunning served on the Executive Committee until May 16, 2000, and was subsequently replaced by Mr. Thornton on May 17, 2000. The Executive Committee had 2 meetings during fiscal year 2000, of which all the members of the Executive Committee, other than Mr. Thornton, attended at least 75 percent of the meetings that occurred during the period in which they served as a member of the Executive Committee.

The M&A Committee of the board of directors of Endorex acts on any matters referred to it by the full board of directors related to current or potential mergers or acquisitions. Dr. Tempero, the Chairman of the M&A Committee, Richard Dunning and Dr. Rubin are the current members of the M&A Committee. The M&A Committee of Endorex held no meetings during the fiscal year 2000.

The Audit Committee of the board of directors reviews, acts on and reports to the board of directors with respect to various auditing and accounting matters, including the selection of Endorex's independent public accountants, the scope of the annual audits, fees to be paid to the auditors, the performance of Endorex's auditors and the accounting practices of Endorex. Mr. Dunning, Chairman of the Audit Committee, and Dr. Shaw are currently the Audit Committee members. Mr. Kanzer and Dr. Rubin served on the Audit Committee until May 16, 2000, and were subsequently replaced by Dr. Shaw and Mr. Dunning on May 17, 2000. The Audit Committee had 6 meetings during fiscal year 2000; of the members of the Audit Committee, only Mr. Dunning attended at least 75 percent of the meetings that occurred during the period in which they served as a member of the Audit Committee. Mr. Dunning and Dr. Shaw are independent as defined by Section 121(A) of the American Stock Exchange's listing standards.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

SEPTEMBER 28, 2001

Endorex's Audit Committee is comprised of two independent members, each of whom is able to read and understand fundamental financial statements and at least one of whom has past employment experience in finance or accounting or other comparable experience. The Audit Committee reviews the accounting principles and procedures of Endorex and its annual financial reports and statements, discusses the audited financial statements with management, recommends to the board of directors the engagement of Endorex's independent accountants, reviews with the independent accountants the plans and results of the auditing engagement and considers the independence of Endorex's auditors.

The main function of the Audit Committee is to ensure that effective accounting policies are implemented and that internal controls are put in place in order to deter fraud, anticipate financial risks and promote accurate, high quality and timely disclosure of financial and other material information to the public markets, the board and the stockholders. The Audit Committee also reviews and recommends to the board the approval of the annual financial statements and provides a forum, independent of management, where Endorex's auditors can communicate any issues of concern.

The independent members of the Audit Committee believe that the present composition of the Audit Committee accomplishes all of the necessary goals and functions of an audit committee as recommended by the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees and adopted by the United States stock exchanges and the Securities and Exchange Commission. In accordance with the promulgated new rules regarding audit committees, the Audit Committee has adopted a formal, written charter, or, the Audit Committee Charter, approved by the full board of directors. The Audit Committee Charter specifies the scope of the Audit Committee's responsibilities and how it should

carry out those responsibilities. The Audit Committee has reviewed and discussed the audited financial statements of Endorex for the fiscal year ended December 31, 2000, with Endorex's management. The Audit Committee has discussed with Ernst & Young LLP, Endorex's independent public accountants, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has also received the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1 (Independence Discussion with Audit Committees) and the Audit Committee has discussed the independence of Ernst & Young LLP with that firm.

Based on the review and discussions with Endorex's auditors for the fiscal year ended December 31, 2000, the Audit Committee recommended to the board of directors that the financial statements be included in Endorex's Annual Report on Form 10-KSB.

THE AUDIT COMMITTEE
Richard Dunning
H. Laurence Shaw

NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN ANY OF ENDOREX'S PREVIOUS OR FUTURE FILINGS UNDER THE SECURITIES ACT OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, THAT MIGHT INCORPORATE THIS JOINT PROXY STATEMENT/PROSPECTUS OR FUTURE FILINGS MADE BY ENDOREX UNDER THOSE STATUTES, THE AUDIT COMMITTEE REPORT, AUDIT COMMITTEE CHARTER, AND REFERENCE TO THE INDEPENDENCE OF THE AUDIT COMMITTEE MEMBERS ARE NOT DEEMED FILED WITH THE SEC AND ARE NOT DEEMED INCORPORATED BY REFERENCE INTO ANY OF THOSE PRIOR FILINGS OR INTO ANY FUTURE FILINGS MADE BY ENDOREX UNDER THOSE STATUTES.

DIRECTOR COMPENSATION

See "Endorex Management and Executive Compensation."

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors recommends that Endorex stockholders vote "FOR" the election of all of the nominees listed above.

PROPOSAL FOUR: APPROVAL OF AMENDMENT TO
ENDOREX AMENDED AND RESTATED 1995 OMNIBUS INCENTIVE PLAN

Endorex stockholders are being asked to approve an amendment to the Endorex Amended and Restated 1995 Omnibus Incentive Plan, or 1995 Plan, which will have the following effects:

(i) increase the number of shares of common stock issuable under the 1995 Plan by an additional 2,165,664 shares;

(ii) implement a maximum annual limit of 500,000 shares of common stock by which the share reserve may increase annually over the term of the 1995 Plan under the automatic share increase provision; and

(iii) modify the automatic option grant program to (a) increase the initial option grants to newly-elected board members to 50,000 shares of Endorex common stock vesting immediately and (b) provide for annual option grants to continuing board members for 10,000 shares vesting over one year.

The board believes the amendment to increase the share reserve is necessary to assure that a sufficient reserve of common stock remains available for issuance under the 1995 Plan in order to allow Endorex to continue to utilize equity incentives to attract and retain the services of key individuals essential to Endorex's long-term growth and financial success. The implementation of a limit by which the share reserve may increase annually is necessary to ensure that Endorex can grant incentive stock options on the basis of such increases. The board of directors of Endorex believes that the amendments to increase the awards and simplify the vesting schedule of the automatic option grants to board members are necessary in order to attract certain qualified members of the board. Endorex relies significantly on equity incentives in the form of stock option grants in order to attract and retain key employees and believes that such equity incentives are necessary for it to remain competitive in the marketplace for executive talent and other key employees. Option grants made to newly-hired or continuing employees will be based on both competitive market conditions and individual performance.

The 1995 Plan was initially adopted in April 1995. The 1995 Plan was subsequently amended in July 1996, October 1997 and February 1998 to effect increases to the share reserve and certain other amendments; all such amendments were approved by the stockholders. The board of directors adopted the amendments to the 1995 Plan that are the subject of this proposal on February 21, 2001 ((iii) above), May 16, 2001 ((i) above) and September 26, 2001 ((i), (ii) and (iii) above), subject to stockholder approval at the annual meeting of the Endorex stockholders.

The following is a summary of the principal features of the 1995 Plan, as most recently amended. Any stockholder who wishes to obtain a copy of the actual plan document may do so upon written request to Endorex at 28101 Ballard Drive, Suite F, Lake Forest, Illinois 60045.

EQUITY INCENTIVE PROGRAMS

The 1995 Plan consists of four separate equity incentive programs: (1) the Discretionary Option Grant Program, (2) the Salary Investment Option Grant Program, (3) the Automatic Option Grant Program for non-employee board members and (4) the Director Fee Option Grant Program for non-employee board members. The principal features of each program are described below. The Compensation Committee of the board will administer the Discretionary Option Grant Program, determine the calendar year or years in which the Salary Investment Option Grant Program will be in effect and select the individuals who are to participate in such program. The board may at any time appoint a secondary committee of one or more board members to have separate but concurrent authority with the Compensation Committee to make option grants under the Discretionary Option Grant Program to individuals other than Endorex's executive officers and non-employee board members. All grants under the Salary Investment Option Grant, the Automatic Option Grant and the

Director Fee Option Grant Programs will be made in strict compliance with the express provisions of each such program. Neither the Compensation Committee nor any secondary committee will exercise any administrative discretion under those programs.

The term plan administrator, as used in this summary, will mean the Compensation Committee and any secondary committee, to the extent each such entity is acting within the scope of its administrative jurisdiction under the 1995 Plan.

SHARE RESERVE

An aggregate of 4,500,000 shares of common stock has been reserved for issuance over the term of the 1995 Plan, including the additional increase of 2,165,664 shares of common stock that forms part of this proposal. In addition, on the first trading day of each calendar year during the term of the 1995 Plan, the number of shares of common stock available for issuance under the 1995 Plan will automatically increase by an amount equal to one percent (1%) of the total number of shares of Endorex's common stock outstanding on the last trading day of the immediately preceding fiscal year. In no event will any such annual increase exceed 500,000 shares of common stock.

As of October 15, 2001, 2,334,336 shares of common stock were subject to outstanding options under the 1995 Plan, 97,056 shares of common stock had been issued pursuant to the exercise of options granted under the 1995 Plan, and 2,806,862 shares of common stock remained available for future issuance, assuming stockholder approval of this proposal.

No participant in the 1995 Plan may receive option grants or separately exercisable stock appreciation rights for more than 750,000 shares of common stock in the aggregate per calendar year. Stockholder approval of this proposal will also constitute a reapproval of the 750,000 share limitation for purposes of Internal Revenue Code Section 162(m).

The shares of common stock issuable under the 1995 Plan may be drawn from shares of Endorex's authorized but unissued shares of common stock or from shares of common stock reacquired by Endorex, including shares repurchased on the open market.

In the event any change is made to the outstanding shares of common stock by reason of any recapitalization, stock dividend, stock split, combination of shares, exchange of shares or other change in corporate structure effected without the receipt of consideration by Endorex, appropriate adjustments will be made to: (1) the maximum number and/or class of securities issuable under the 1995 Plan, (2) the maximum number and/or class of securities by which the share reserve may increase annually under the automatic share increase reserve provisions, (3) the number and/or class of securities for which any one person may be granted options or separately exercisable stock appreciation rights per calendar year, (4) the number and/or class of securities for which automatic option grants are to be subsequently granted to eligible directors, and (5) the number and/or class of securities and the exercise price per share in effect under each outstanding option (including any options incorporated from the predecessor 1994 Non-Employee Stock Option Plan and Incentive Stock Option Plan which were incorporated into the 1995 Plan).

ELIGIBILITY

Employees, non-employee board members and independent consultants in the service of Endorex or its parent and subsidiaries (whether now existing or subsequently established) are eligible to participate in the Discretionary Option Grant Program. Executive officers and other highly paid employees are also eligible to participate in the Salary Investment Option Grant Program. Participation in the Automatic Option Grant and Director Fee Option Grant Programs is limited to non-employee members of the board.

As of October 15, 2001, five executive officers, six non-employee board members and approximately 21 other employees and consultants were eligible to participate in the Discretionary Option Grant Program. The five executive officers were also eligible to participate in the Salary Investment Option Grant Program, and the six non-employee board members were also eligible to participate in the Automatic Option Grant and Director Fee Option Grant Programs.

VALUATION

The fair market value per share of common stock on any relevant date under the 1995 Plan is deemed to be equal to the closing selling price per share on that date on a stock exchange where shares of Endorex's common stock are traded. On October 15, 2001, the fair market value per share determined on such basis was $0.90.

DISCRETIONARY OPTION GRANT PROGRAM

The plan administrator has complete discretion under the Discretionary Option Grant Program to determine which eligible individuals are to receive option grants, the time or times when those grants are to be made, the number of shares subject to each such grant, the status of any granted option as either an incentive stock option or a non-statutory option under the federal tax laws, the vesting schedule (if any) to be in effect for the option grant and the maximum term for which any granted option is to remain outstanding.

Each granted option will have an exercise price per share no less than 85% of the fair market value of the shares on the grant date unless otherwise determined by the plan administrator. No granted option will have a term in excess of 10 years, and the option will generally become exercisable in one or more installments over a specified period of service measured from the grant date. However, one or more options may be structured so that they will be immediately exercisable for any or all of the option shares. The shares acquired under immediately exercisable options will be subject to repurchase by Endorex, at the exercise price paid per share, if the optionee ceases service with Endorex prior to vesting in those shares.

Upon cessation of service, the optionee will have a limited period of time in which to exercise any outstanding option to the extent exercisable for vested shares. The plan administrator will have complete discretion to extend the period following the optionee's cessation of service during which his or her outstanding options may be exercised and/or to accelerate the exercisability or vesting of such options in whole or in part. Such discretion may be exercised at any time while the options remain outstanding, whether before or after the optionee's actual cessation of service.

The plan administrator is authorized to issue two types of stock appreciation rights in connection with option grants made under the Discretionary Option Grant Program:

TANDEM STOCK APPRECIATION RIGHTS, which provide the holders with the right to surrender their options for an appreciation distribution from Endorex equal in amount to the excess of (a) the fair market value of the vested shares of common stock subject to the surrendered option over (b) the aggregate exercise price payable for such shares. Such appreciation distribution may, at the discretion of the plan administrator, be made in cash or in shares of common stock.

LIMITED STOCK APPRECIATION RIGHTS, which may be granted to the officers of Endorex as part of their option grants. Any option with such a limited stock appreciation right in effect may be surrendered to Endorex upon the successful completion of a hostile take-over of Endorex. In return for the surrendered option, the officer will be entitled to a cash distribution from Endorex in an amount per surrendered option share equal to the excess of (a) the take-over price per share over (b) the exercise price payable for such share.

The plan administrator also has the authority to effect the cancellation of outstanding options under the Discretionary Option Grant Program (and outstanding options incorporated from the predecessor 1994 Non-Employee Stock Option Plan and Incentive Stock Option Plan which were incorporated into the 1995 Plan) that have exercise prices in excess of the then-current market price of Endorex's common stock and to issue replacement options with an exercise priced on the market price of Endorex's common stock at the time of the new grant.

SALARY INVESTMENT OPTION GRANT PROGRAM

The Compensation Committee has complete discretion to implement the Salary Investment Option Grant Program for one or more calendar years and in selecting the executive officers and other eligible individuals who are to participate in the program. As a condition to such participation, each selected individual must, prior to the start of the calendar year of participation, file with the Compensation Committee an irrevocable authorization directing Endorex to reduce his or her base salary for the upcoming calendar year by a specified dollar amount not less than $10,000 nor more than $75,000 and to apply that amount to the acquisition of a special option grant under the program. Each selected individual who files such a timely election will automatically be granted a non-statutory option on or before the last trading day in January of the calendar year for which that salary reduction is to be in effect.

Stockholder approval of this proposal will constitute the pre-approval of each option subsequently granted under the Salary Investment Option Grant Program on the basis of the share increase effected pursuant to this proposal and the subsequent exercise of that option in accordance with its terms.

The number of shares subject to each option will be determined by dividing the salary reduction amount by two-thirds of the fair market value per share of Endorex's common stock on the grant date. The exercise price will be equal to one-third of the fair market value of Endorex's common stock per share on the grant date. As a result, the total spread on the option shares at the time of grant (the fair market value of the option shares on the grant date less the aggregate exercise price payable for those shares) will be equal to the amount by which the optionee's salary is to be reduced for the calendar year. In effect, the salary reduction serves as an immediate prepayment, as of the time of the option grant, of two thirds of the then-current market price of the shares of common stock subject to the option.

The option will become exercisable in a series of 12 equal monthly installments upon the optionee's completion of each month of service in the calendar year for which such salary reduction is in effect and will become immediately exercisable for all the option shares on an accelerated basis should Endorex experience certain changes in ownership or control. Each option will remain exercisable for any vested shares until the earlier of (1) the expiration of the ten-year option term or (2) the end of the three-year period measured from the date of the optionee's cessation of service.

Endorex has not yet implemented the Salary Investment Option Grant Program.

AUTOMATIC OPTION GRANT PROGRAM

Under the Automatic Option Grant Program, eligible non-employee board members receive a series of option grants over their period of board service. Each non-employee board member will, at the time of his or her initial election or appointment to the board on or after this annual stockholders meeting, receive a non-statutory stock option grant for 50,000 shares of common stock. In addition, on the date of each annual stockholders meeting beginning with this annual stockholder meeting, each individual who is re-elected to serve as a non-employee board member will be automatically granted an option to purchase

10,000 shares of common stock (provided such individual has served as a non-employee board member for at least six months). There will be no limit on the number of such

10,000-share option grants any one eligible non-employee board member may receive over his or her period of continued board service.

Stockholder approval of this proposal will also constitute pre-approval of each option granted under the Automatic Option Grant Program on or after the date of the annual stockholders meeting and the subsequent exercise of that option in accordance with the terms of the program summarized below.

Each automatic grant will have an exercise price per share equal to the fair market value per share of common stock on the grant date and will have a maximum term of 10 years, subject to earlier termination following the optionee's cessation of board service.

The shares subject to each initial 50,000-share automatic grant will immediately vest. Each 10,000-share option will be immediately exercisable for the option shares and the shares acquired under the option will be subject to repurchase by Endorex at the option exercise price paid per share, upon the optionee's cessation of board service prior to vesting in those shares. The shares subject to each annual 10,000-share grant will vest upon the completion of one year of Board service measured from the option grant date.

Each outstanding automatic option grant will automatically accelerate and become immediately exercisable for any or all of the option shares as fully-vested shares upon certain changes in control or ownership of Endorex or upon the optionee's death or disability while a board member. Following the optionee's cessation of board service for any reason, each option will remain exercisable for a 12-month period and may be exercised during that time for any or all shares in which the optionee is vested at the time of such cessation of board service.

DIRECTOR FEE OPTION GRANT PROGRAM

The Compensation Committee has complete discretion to implement the Director Fee Option Grant Program for one or more calendar years in which non-employee board members may participate. As a condition to such participation, each non-employee board member must, prior to the start of the calendar year of participation, file with Endorex's Chief Financial Officer an irrevocable authorization directing Endorex to apply all or a portion of his or her cash retainer fee for the upcoming calendar year to the acquisition of a special option grant under the program.

Each non-employee board member who files such a timely election will automatically be granted a non-statutory option on the first trading day in January of the calendar year for which that retainer fee election is to be in effect.

The number of shares subject to each such option will be determined by dividing the amount of the retainer fee for the calendar year to be applied to the program by two-thirds of the fair market value per share of Endorex's common stock on the grant date. The exercise price will be equal to one-third of the fair market value of Endorex's common stock per share on the grant date. As a result, the total spread on the option shares at the time of grant (the fair market value of the option shares on the grant date less the aggregate exercise price payable for those shares) will be equal to the portion of the retainer fee that optionee has elected to be applied to the program. In effect, the portion of the annual retainer fee otherwise payable in cash serves as an immediate

prepayment, as of the time of the option grant, of two thirds of the then-current market price of the shares of common stock subject to the option.

The option will become exercisable for 50% of the option shares upon the optionee's completion of six months of service in the calendar year for which such retainer fee election is in effect and the balance in a series of six equal monthly installments upon the optionee's completion of each additional month of service during that calendar year. The option will become immediately exercisable for all the option shares on an accelerated basis should Endorex experience certain changes in ownership or

control. Each option will remain exercisable for any vested shares until the earlier of (1) the expiration of the ten-year option term or (2) the end of the three-year period measured from the date of the optionee's cessation of service.

Endorex has not yet implemented the Director Fee Option Grant Program.

GENERAL PROVISIONS

ACCELERATION

In the event that Endorex is acquired by merger or asset sale, each outstanding option under the Discretionary Option Grant Program that is not to be assumed or replaced by the successor corporation will automatically accelerate in full, and all unvested shares outstanding under the Discretionary Option Grant Program will immediately vest, except to the extent Endorex's repurchase rights with respect to those shares are to be assigned to the successor corporation.

The plan administrator will have the authority under the Discretionary Option Grant Program to provide that options granted under such program will automatically vest in full (1) upon an acquisition of Endorex, whether or not those options are assumed or replaced, (2) upon a hostile change in control of Endorex effected through a tender offer for more than 50% of Endorex's outstanding voting stock or by proxy contest for the election of board members, or (3) in the event the individual's service is terminated, whether involuntarily or through a resignation for good reason, within a designated period (not to exceed 18 months) following an acquisition in which those options are assumed or replaced or a hostile change in control. The options granted under the Salary Investment Option Grant Program, the Automatic Option Grant Program and the Director Fee Option Grant Program will automatically accelerate and become exercisable in full upon an acquisition or change in control transaction.

The acceleration of vesting in the event of a change in the ownership or control of Endorex may be seen as an anti-takeover provision and may have the effect of discouraging a merger proposal, a takeover attempt or other efforts to gain control of Endorex.

LIMITED STOCK APPRECIATION RIGHTS

Each option granted under the Automatic Option Grant and Director Fee Option Grant Programs includes a limited stock appreciation right so that upon the successful completion of a hostile tender offer for more than 50% of Endorex's outstanding voting securities, the option may be surrendered to Endorex in return for a cash distribution from Endorex. The amount of the distribution per surrendered option share will be equal to the excess of (1) the fair market value per share at the time the option is surrendered or, if greater, the tender offer price paid per share in the hostile take-over over (2) the exercise price payable per share under such option. In addition, the plan administrator may

grant such rights to officers of Endorex as part of their option grants under the Discretionary Option Grant Program.

Stockholder approval of this proposal will also constitute pre-approval of each limited stock appreciation right granted under the Automatic Option Grant Director Fee Option Grant Programs and the subsequent exercise of those rights in accordance with the foregoing terms.

FINANCIAL ASSISTANCE

The plan administrator may institute a loan program to assist one or more participants in financing the exercise of outstanding options under the Discretionary Option Grant Program through full-recourse interest-bearing promissory notes. However, the maximum amount of financing provided any participant may not exceed the cash consideration payable for the issued shares plus all applicable withholding taxes incurred in connection with the acquisition of those shares.

SPECIAL TAX ELECTION

The plan administrator may provide one or more holders of non-statutory options under the 1995 Plan with the right to have Endorex withhold a portion of the shares otherwise issuable to such individuals in satisfaction of the withholding taxes to which such individuals become subject in connection with the exercise of those options or the vesting of those shares. Alternatively, the plan administrator may allow such individuals to deliver previously acquired shares of common stock in payment of such withholding tax liability.

AMENDMENT AND TERMINATION

The board may amend or modify the 1995 Plan at any time, subject to any required stockholder approval pursuant to applicable laws and regulations. Unless sooner terminated by the board, the 1995 Plan will terminate on the earliest of (1) April 23, 2005, (2) the date on which all shares available for issuance under the 1995 Plan have been issued as fully-vested shares or (3) the termination of all outstanding options in connection with certain changes in control or ownership of Endorex.

STOCK AWARDS

The table below shows, as to Endorex's Chief Executive Officer, the three other most highly compensated executive officers of Endorex (with base salary and bonus for the past fiscal year in excess of $100,000) and the other individuals and groups indicated, the number of shares of common stock subject to option grants made under the 1995 Plan from January 1, 2000 through June 30, 2001, together with the weighted average exercise price payable per share.

OPTION TRANSACTIONS

NAME AND POSITION	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE ($)
Michael S. Rosen ..... President, Chief Executive Officer and Director	160,000	$ 1.250

Robert N. Brey ..... Senior Advisor for Technology Assessment and Intellectual Property(1)	30,000	$ 3.938
Frank C. Reid ..... Vice President, Finance and Corporate Development(2)	60,000	$ 3.938
Panayiotis P. Constantinides ..... Vice President of Research and Development	60,000	$ 1.500
John McCracken ..... Vice President, Business Development	100,000	$ 1.250
Steve J. Koulogeorge ..... Controller, Assistant Secretary and Assistant Treasurer	30,000	$ 1.781
All current executive officers as a group.....	380,000	$ 1.544
Richard Dunning ..... Director	50,000(3)	$ 1.250
Steve H. Kanzer ..... Director	50,000(3)	$ 1.250
Paul D. Rubin ..... Director	50,000(3)	$ 1.250
H. Laurence Shaw ..... Director	50,000(3)	$ 1.250
Kenneth Tempero ..... Director	62,000(3)	$ 1.637
Steven Thornton ..... Director	62,000(3)	$ 1.952
All current non-employee directors as a group (6 persons).....	324,000	$ 1.458
All employees, including current officers, as a group (approximately 18 persons).....	488,500	$ 1.617

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(1) Mr. Brey served as an executive officer of Endorex in the capacity of Vice President of Research and Development until November 30, 2000.

(2) Mr. Reid resigned from Endorex on December 31, 2000.

(3) Includes an option to purchase 50,000 shares of Endorex common stock granted on February 21, 2001, subject to stockholder approval.

FEDERAL INCOME TAX CONSEQUENCES

OPTION GRANTS

Options granted under the 1995 Plan may be either incentive stock options which satisfy the requirements of Section 422 of the Internal Revenue Code or

non-statutory options which are not intended to meet such requirements. The Federal income tax treatment for the two types of options differs as follows:

INCENTIVE OPTIONS. No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is generally recognized at the time the option is exercised. The optionee will, however, recognize taxable income in the year in which the purchased shares are sold or otherwise disposed. For Federal tax purposes, dispositions are divided into two categories: (1) qualifying and (2) disqualifying. A qualifying disposition occurs if the sale or other disposition is made after the optionee has held the shares for more than two years after the option grant date and more than one year after the exercise date. If either of these two holding periods is not satisfied, then a disqualifying disposition will result.

If the optionee makes a disqualifying disposition of the purchased shares, Endorex will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the excess of (1) the fair market value of such shares on the option exercise date over (2) the exercise price paid for the shares. If the optionee makes a qualifying disposition, Endorex will not be entitled to any income tax deduction.

NON-STATUTORY OPTIONS. No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income in the year in which the option is exercised equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income.

If the shares acquired upon exercise of the non-statutory option are unvested and subject to repurchase by Endorex in the event of the optionee's termination of service prior to vesting in those shares, then the optionee will not recognize any taxable income at the time of exercise but will have to report as ordinary income, as and when Endorex's repurchase right lapses, an amount equal to the excess of (1) the fair market value of the shares on the date the repurchase right lapses over (2) the exercise price paid for the shares. The optionee may, however, elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year of exercise of the option an amount equal to the excess of (1) the fair market value of the purchased shares on the exercise date over (2) the exercise price paid for such shares. If the Section 83(b) election is made, the optionee will not recognize any additional income as and when the repurchase right lapses.

Endorex will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for the taxable year of Endorex in which such ordinary income is recognized by the optionee.

STOCK APPRECIATION RIGHTS

No taxable income is recognized upon receipt of a stock appreciation right. The holder will recognize ordinary income, in the year in which the stock appreciation right is exercised, in an amount equal to the appreciation distribution. Endorex will be entitled to an income tax deduction equal to the appreciation distribution in the taxable year in which such ordinary income is recognized by the optionee.

DEDUCTIBILITY OF EXECUTIVE COMPENSATION

Endorex anticipates that any compensation deemed paid by it in connection with the disqualifying dispositions of incentive stock option shares or the

exercise of non-statutory options with exercise prices equal to the fair market value of the option shares on the grant date will qualify as performance-based compensation for purposes of Code Section 162(m) and will not have to be taken into account for purposes of the $1 million limitation per covered individual on the deductibility of the compensation paid to certain executive officers of Endorex. Accordingly, all compensation deemed paid with respect to those options will remain deductible by Endorex without limitation under Code Section 162(m).

ACCOUNTING TREATMENT

Option grants under the Discretionary Option Grant and Automatic Option Grant Programs with exercise prices equal to the fair market value of the option shares on the grant date will not result in any direct charge to Endorex's reported earnings. However, the fair value of those options is required to be disclosed in the notes to Endorex's financial statements, and Endorex must also disclose, in footnotes to the financial statements, the pro forma impact those options would have upon Endorex's reported earnings were the fair value of those options at the time of grant treated as a compensation expense. In addition, the number of outstanding options may be a factor in determining Endorex's earnings per share on a fully diluted basis.

Option grants made under the 1995 Plan with exercise or issue prices less than the fair market value of the shares on the grant or issue date will result in a direct compensation expense in an amount equal to the excess of such fair market value over the exercise or issue price. The expense must be amortized against Endorex's earnings over the period that the option shares or issued shares are to vest.

On March 31, 2000, the Financial Accounting Standards Board issued Interpretation No. 44, which is an interpretation of APB Opinion No. 25 governing the accounting principles applicable to equity incentive plans. Under the Interpretation, option grants made to consultants (but not non-employee board members) after December 15, 1998 will result in a direct charge to Endorex's reported earnings based upon the fair value of the option measured initially as of the grant date and then subsequently on the vesting date of each installment of the underlying option shares. Such charge will accordingly include the appreciation in the value of the option shares over the period between the grant date of the option (or, if later, the July 1, 2000 effective date of the Interpretation) and the vesting date of each installment of the option shares. In addition, any options which are repriced after December 15, 1998 will also trigger a direct charge to Endorex's earnings measured by the appreciation in the value of the underlying shares over the period between the grant date of the option (or, if later, the July 1, 2000 effective date of the Interpretation) and the date the option is exercised for those shares.

Should one or more individuals be granted tandem stock appreciation rights under the 1995 Plan, then such rights would result in a compensation expense to be charged against Endorex's reported earnings. Accordingly, at the end of each fiscal quarter, the amount (if any) by which the fair market value of the shares of common stock subject to such outstanding stock appreciation rights has increased from the prior quarter-end would be accrued as compensation expense, to the extent such fair market value is in excess of the aggregate exercise price in effect for those rights.

NEW PLAN BENEFITS

As of October 15, 2001, no stock options had been granted, and no shares of common stock had been issued, on the basis of the share increases which are the subject of this proposal. However, subject to approval of this proposal, on the date of the annual meeting, each of Messrs. Dunning, Kanzer, Rubin, Shaw, Tempero and Thornton will receive an option to purchase 10,000 shares of Endorex common stock. In addition, subject to consummation of the merger, each of

Messrs. Rico and Kliem

will receive on the date of their initial appointment to the Endorex board of directors an option to purchase 50,000 shares of Endorex common stock.

STOCKHOLDER APPROVAL

The affirmative vote of the holders of a majority of the shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis, entitled to vote and that are present or represented by proxy at the Endorex annual meeting of stockholders is required for approval of the amendment to the 1995 Plan. Should such stockholder approval not be obtained, then: (a) the 2,165,664-share increase to the share reserve under the 1995 Plan will not be implemented and any stock options granted under the 1995 Plan on the basis of the increase will immediately terminate without ever becoming exercisable for the shares of common stock subject to those options, (b) there will be no maximum annual limit of shares of common stock by which the share reserve may increase annually under the automatic share increase provision of the 1995 Plan, and (c) the changes to the number of shares and vesting schedule applicable to the initial and continuing option grants under the automatic option grant program to non-employee board members will not be implemented. The 1995 Plan will, however, continue in effect as previously approved by the stockholders, and option grants may continue to be made under the 1995 Plan (including option grants under the automatic option grant program as previously approved by the stockholders) until all the shares available for issuance under the 1995 Plan has been issued pursuant to such option grants. Endorex does not have to consummate the merger unless its stockholders approve the increase of the number of shares of common stock issuable under the 1995 Plan, although this condition may be waived by Endorex.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors recommends that the stockholders vote "FOR" the approval of the amendments to the 1995 Plan.

PROPOSAL FIVE: APPROVAL OF FEBRUARY 21, 2001
OPTION GRANTS TO NON-EMPLOYEE
MEMBERS OF THE BOARD OF DIRECTORS

Endorex's stockholders are being asked to approve certain stock option grants to the non-employee members of Endorex's board of directors under the Discretionary Option Grant Program of the Endorex's Amended and Restated 1995 Omnibus Incentive Plan. The Endorex board believes that it is in Endorex's best interests to provide additional incentives to Endorex's non-employee board members to remain in service.

MATERIAL TERMS OF THE OPTIONS

On February 21, 2001, Endorex's board of directors granted a fully vested option to purchase 50,000 shares of Endorex common stock to each of Endorex's non-employee board members--Richard Dunning, Steve H. Kanzer, Dr. Paul D. Rubin, Dr. H. Laurence Shaw, Dr. Kenneth Tempero, and Steven Thornton--subject to subsequent approval by the stockholders at the annual meeting of stockholders.

The material terms and conditions of each option grant may be summarized as follows:

(i) Each option has an exercise price equal to $1.25 per share, the

closing price per share of the common stock on the February 21, 2001 grant date, as reported on the AMEX. On October 15, 2001, the closing price per share on the AMEX was $0.90.

(ii) Each option is immediately exercisable for all of the option shares as fully vested shares.

(iii) Each option has a maximum term of ten (10) years measured from the February 21, 2001 grant date, subject to earlier termination upon the cessation of service of the non-employee board member. If the non-employee board members terminate service for any reason other than death or disability, then such individuals will have a twelve (12)-month period following their termination date in which to exercise their option. Should the non-employee board members die or become disabled while the option remains outstanding, then such individuals or their legal representatives will have a twelve (12)-month period in which to exercise the option.

(iv) The exercise price may be paid in cash or in shares of Endorex's common stock held for the requisite period necessary to avoid a charge to Endorex's earnings. Each option may also be exercised through a same-day sale program, pursuant to which a designated brokerage firm effects the immediate sale of the shares purchased under the option and pays over to Endorex, out of the sale proceeds available on the settlement date, sufficient funds to cover the exercise price for the purchased shares plus all applicable withholding taxes.

(v) In the event that Endorex is acquired by merger or asset sale, each option will terminate and cease to be exercisable, except to the extent assumed by the successor corporation. If the options are so assumed, the exercise price and number of shares subject to the option will be appropriately adjusted so that the aggregate exercise price remains the same.

(vi) Each option contains a limited stock appreciation right which will trigger the automatic cancellation of the option upon the successful completion of a hostile tender offer for more than 50% of Endorex's outstanding voting securities. In return for the cancelled option, the non-employee board member will be entitled to a cash distribution from Endorex in an amount per cancelled option share equal to the excess of (a) the highest price per share of common stock paid in connection with the tender offer over (b) the exercise price payable for such share.

(vii) In the event any change is made to the common stock issuable under the option by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, or other change in corporate structure effected without Endorex's receipt of consideration,

appropriate adjustments will be made to the number and/or class of securities subject to the option and the exercise price payable per share.

(viii) The remaining terms and conditions of each option grant is substantially the same as those summarized above in the "Discretionary Option Grant Program" section of Proposal Four above.

FEDERAL INCOME TAX CONSEQUENCES

The option grants which are part of this proposal are non-statutory stock options which are not intended to satisfy the requirements of Section 422 of the Internal Revenue Code.

No taxable income is recognized by the non-employee board member upon the grant of the option. The non-employee board member will recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares.

Endorex will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the non-employee board members with respect to the exercised non-statutory option. The deduction will in general be allowed for the taxable year of Endorex in which such ordinary income is recognized by the non-employee board members.

DEDUCTIBILITY OF COMPENSATION

Endorex anticipates that any compensation deemed paid by it in connection with the exercise of the option grants to the non-employee board members will be fully deductible by Endorex.

ACCOUNTING TREATMENT

The option grants to the non-employee board members will not result in any direct charge to Endorex's reported earnings. However, the fair value of those options is required to be disclosed in the notes to Endorex's financial statements, and Endorex must also disclose, in footnotes to the financial statements, the pro forma impact those options would have upon Endorex's reported earnings were the fair value of those options at the time of grant treated as a compensation expense. In addition, the number of outstanding options may be a factor in determining Endorex's earnings per share on a fully diluted basis.

On March 31, 2000, the Financial Accounting Standards Board issued Interpretation No. 44, which is an interpretation of APB Opinion No. 25 governing the accounting principles applicable to equity incentive plans. Under the Interpretation, any options which are repriced after December 15, 1998 will also trigger a direct charge to Endorex's earnings measured by the appreciation in the value of the underlying shares over the period between the grant date of the option and the date the option is exercised for those shares.

STOCK AWARDS

The table below shows the number of shares of common stock subject to option grants made to non-employee board members under the 1995 Plan from January 1, 2000 through June 30, 2001, together with the weighted average exercise price payable per share.

OPTION TRANSACTIONS

NAME AND POSITION	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE ($)
Richard Dunning ..... Director	50,000(1)	$ 1.250
Steve H. Kanzer ..... Director	50,000(1)	$ 1.250

Paul D. Rubin ..... Director	50,000(1)	$ 1.250
H. Laurence Shaw ..... Director	50,000(1)	$ 1.250
Kenneth Tempero ..... Director	62,000(1)	$ 1.637
Steven Thornton ..... Director	62,000(1)	$ 1.952
All current non-employee directors as a group (6 persons)...	324,000	$ 1.458

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(1) Includes an option to purchase 50,000 shares of Endorex common stock granted on February 21, 2001, subject to stockholder approval under this proposal.

NEW PLAN BENEFITS

As of October 15, 2001, options to purchase 300,000 shares of Endorex common stock had been granted on the basis of this Proposal.

STOCKHOLDER APPROVAL

The affirmative vote of the holders of a majority of the shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis, entitled to vote and that are present or represented by proxy at the Endorex annual meeting of stockholders is required for approval of the option grants to the non-employee board members. Should such stockholder approval not be obtained, then the option grants to the non-employee board members will immediately terminate without ever becoming exercisable for the shares of common stock subject to those options.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors recommends that the stockholders vote "FOR" the approval of the 50,000-share option grants to the non-employee board members on February 21, 2001.

PROPOSAL SIX: RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

Upon the recommendation of the Audit Committee, the board of directors appointed Ernst & Young LLP, or E&Y, independent public accountants and auditors, as auditors of Endorex to serve for the year ending December 31, 2001, subject to the ratification of such appointment by stockholders at the annual meeting. The affirmative vote of the holders of a majority of the shares of Endorex common stock, voting together with the holders of Endorex Series B preferred stock on an as converted basis, entitled to vote and that are present or represented by proxy at the Endorex annual meeting stockholders. is required to ratify the appointment of the auditors. Unless otherwise instructed, the proxy holders will vote the proxies received by them "FOR" the ratification of E&Y, to serve as Endorex's auditors for the year ending December 31, 2001.

A representative of E&Y is expected to be available at the annual meeting, will have the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

On November 2, 2000, Endorex engaged E&Y as its independent public accountant and dismissed PricewaterhouseCoopers LLP, or PwC. The decision to change independent public accountants was recommended and approved by Endorex's Audit Committee.

PwC's reports on the financial statements of Endorex for the fiscal years ended December 31, 1998 and 1999 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

In connection with its audits for the fiscal years ended December 31, 1998 and 1999 and through November 2, 2000, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to PwC's satisfaction, would have caused them to make reference to the subject matter of the disagreements in their report on the financial statements for such years.

During the fiscal years ended December 31, 1998 and 1999 and through November 2, 2000 there were no reportable events except that in connection with its review of the June 30, 2000 financial statements, PwC reported a material weakness in Endorex's internal control structure relative to the employees of Endorex not having expertise in the area of generally accepted accounting principles and financial reporting procedures. Endorex did not have a certified public accountant on its full-time staff at that time. Endorex has since hired a certified public accountant to serve as Endorex's corporate controller. Endorex's management and Audit Committee believe that the concerns expressed by PwC have been adequately addressed with the hiring of the certified public accountant as controller. Furthermore, Endorex's management and Audit Committee do not believe that the reported material weakness in Endorex's internal control structure relative to the employees of Endorex not having expertise in the area of generally accepted accounting principles and financial reporting procedures had an effect on Endorex's financial statements.

Prior to engaging E&Y, Endorex did not consult E&Y with respect to the application of accounting principles to a specific completed transaction or contemplated transaction, or the type of audit opinion that might be rendered on Endorex's financial statements. Endorex provided a copy of PwC's letter reporting the material weakness to E&Y and authorized PwC to respond fully to the inquiries of E&Y regarding the letter.

AUDIT FEES

The aggregate fees for professional services rendered by E&Y and PwC in connection with their audit and review of Endorex's consolidated financial statements included in Endorex's Quarterly Reports on Form 10-QSB and Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000 were approximately $123,150 and $26,285, respectively.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES

There were no professional services rendered by E&Y or PwC in the fiscal year ended December 31, 2000 relating to financial information systems design and implementation.

ALL OTHER FEES

The aggregate fees for all other services rendered by E&Y during fiscal year ended December 31, 2000 was $2,500 for audit related services and $16,800 for nonaudit related services. The aggregate fees for all other services rendered by PwC during fiscal year ended December 31, 2000 was $24,770. Audit related

services consisted of accounting consultations and registration statements filed with the SEC. Nonaudit services related to Endorex's income tax filings.

The Audit Committee, in conducting its review of auditor independence, considered whether the performance of services by E&Y, in addition to their audit services, was compatible with maintaining the independence of Ernst & Young LLP as auditors.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors recommends that Endorex stockholders vote "FOR" ratification of E&Y as Endorex's independent public accountants for the year ending December 31, 2001.

STOCKHOLDER PROPOSALS

The rules of the SEC permit stockholders of a company to present proposals for stockholder action in the company's proxy statement if those proposals are consistent with applicable law, pertain to matters appropriate for stockholder action and are not properly omitted by company action in accordance with the proxy rules. Endorex expects to hold on or about May 16, 2002, its annual meeting of stockholders following the end of fiscal year 2001. In order for Endorex to include stockholder proposals in the proxy statement for that meeting, they must comply with the proxy rules and Endorex must receive them before March 15, 2001. If Endorex is not notified of a stockholder proposal by March 15, 2001, then the proxy solicited by the board of directors for the 2002 annual meeting will confer discretionary authority to vote against that stockholder proposal. Endorex's bylaws also contain procedures to be followed to submit stockholder proposals to a vote of stockholders including the nomination of directors.

OTHER MATTERS

Endorex management knows of no matters that are to be presented for action at the meeting other than those set forth above. If any other matters properly come before the meeting, the persons named in the enclosed form of proxy will vote the shares represented by proxies in accordance with their best judgment on those matters.

PROPOSAL TO BE VOTED UPON BY CTD STOCKHOLDERS
AT THE CTD SPECIAL MEETING

At the CTD special meeting of stockholders, CTD's stockholders will be asked to consider and vote on the following proposal:

To approve and adopt the merger and the Agreement and Plan of Merger and Reorganization dated as of July 31, 2001, by and among CTD, Endorex and Roadrunner Acquisition, Inc.

CTD's board of directors adopted on July 6, 2001, resolutions approving the merger, the merger agreement and the transactions contemplated thereby. The merger and the merger agreement must be approved by the affirmative vote, in person or by proxy, of the holders of a majority of the outstanding shares of CTD common stock voting together with the holders of Series A preferred stock, on an as converted basis. The merger contemplated by the merger agreement cannot be completed unless CTD stockholders holding the requisite number of shares of CTD capital stock approve the merger and the merger agreement. See "The Merger" and "Agreement and Plan of Merger and Reorganization and Related Agreements."

Unless otherwise instructed in writing, the proxy holders will vote the proxies received by them to approve the merger and the merger agreement.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors recommends that CTD stockholders vote "FOR" the approval of the merger and the merger agreement.

OTHER MATTERS

The management of CTD knows of no matters that are to be presented for action at the meeting other than those set forth above. If any other matters properly come before the meeting, the persons named in the enclosed form of proxy will vote the shares represented by proxies in accordance with their best judgment on such matters.

EXPERTS

The consolidated financial statements of Endorex at December 31, 2000, and for the year then ended, included in this joint proxy statement/prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

The financial statements as of December 31, 1999 and for the year then ended, and for the period cumulative from inception (February 15, 1985) to December 31, 1999 included in this joint proxy statement/prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of CTD at December 31, 2000 and December 31, 1999 and for the years then ended, and for the cumulative period from commencement of operations (January 1, 1998) to December 31, 2000, included in this joint proxy statement/prospectus have been audited by Richard A. Eisner & Company, LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, which, as to the period from January 1, 1998 through December 31, 2000 is based in part on the report of other auditors. The financial statements referred to above are included in reliance upon such reports given on the authority of said firm as experts in accounting and auditing.

Representatives of Ernst & Young LLP are expected to be present at the Endorex annual meeting, will have the opportunity to make a statement at the Endorex annual meeting if they desire to do so and are expected to be available to respond to appropriate questions.

Representatives of Richard A. Eisner & Company, LLP are expected to be present at the CTD special meeting, will have the opportunity to make a statement at the CTD special meeting if they desire to do so and are expected to be available to respond to appropriate questions.

LEGAL MATTERS

Certain legal matters in connection with the combination will be passed upon by Brobeck, Phleger & Harrison LLP on behalf of Endorex, and by Kramer Levin Naftalis & Frankel LLP on behalf of CTD.

WHERE YOU CAN FIND MORE INFORMATION

Endorex files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information Endorex files at the SEC's Public Reference Rooms at 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, New York 10048. You may obtain information on the operation of the Public Reference Rooms by calling the SEC at 1-800-SEC-0330. Endorex filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC (http://www.sec.gov).

COPIES OF ENDOREX'S ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED DECEMBER 31, 2000 (EXCLUDING EXHIBITS) AND THE CONSOLIDATED FINANCIAL STATEMENTS THEREIN MAY BE OBTAINED WITHOUT CHARGE FROM ENDOREX BY SENDING A WRITTEN REQUEST TO THE ASSISTANT SECRETARY OF ENDOREX AT 28101 BALLARD DRIVE, SUITE F, LAKE FOREST, ILLINOIS 60045.

Endorex has supplied all information contained in this document relating to Endorex. CTD has supplied all information in this document relating to CTD.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following Unaudited Pro Forma Condensed Consolidated Financial Statements relate to Endorex's proposed acquisition of CTD. The transaction will be accounted for under the purchase method of accounting. Under the purchase method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based on estimated fair values. Based on the closing price of Endorex's common stock on June 30, 2001, the acquisition is valued at approximately $10 million. The amount of the consideration issued to the former shareholders and option or warrant holders of CTD was determined by arms-length negotiations between the parties.

The following Unaudited Pro Forma Condensed Consolidated Balance sheet at June 30, 2001 reflects the combined historical financial position with pro forma adjustments as though the acquisition of CTD had occurred on June 30, 2001.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 30, 2000 and the six months ended June 30, 2001 reflect the combined historical results of operations with pro forma adjustments as though the acquisition of CTD had occurred on January 1, 2000. The Unaudited Pro Forma Condensed Consolidated Statements of Operations are based on the following: 1) historical results of operations of Endorex for the year ended December 31, 2000 derived from audited financial statements included in Form 10-KSB; 2) historical results of CTD derived from audited financial statements for the year ended December 31, 2000; and 3) unaudited financial statements of Endorex and CTD for the six months ended June 30, 2001.

The Unaudited Pro Forma Financial Statements and the accompanying notes, or Pro Forma Financial Information, should be read in conjunction with, and are qualified by, the historical financial statements and notes thereto of Endorex and CTD.

The Unaudited Pro Forma Financial Statements are intended for informational purposes only and are not necessarily indicative of the combined results that would have occurred had the acquisition taken place on January 1, 2000, nor is it necessarily indicative of results that may occur in the future.

ENDOREX CORPORATION

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
BALANCE SHEET

JUNE 30, 2001

	ENDOREX	CTD	PRO FORMA ADJUSTMENTS	PRO FORMA
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 9,808,676	$ 5,072,000	$ --	$ 14,880,67
Receivable from related party	26,745	--	--	26,74
Prepaid expenses	52,930	1,000	--	53,93
Total current assets	9,888,351	5,073,000	--	14,961,35
Leasehold improvements and equipment, net	407,373	13,000	--	420,37
Patent issuance costs, net	281,845	116,000	--	397,84
Identifiable intangibles	--	--	5,372,513 c	5,372,51
Other assets	1,004,608	3,000	(1,004,608)d	3,00
TOTAL ASSETS	$ 11,582,177	$ 5,205,000	$ 4,367,905	$ 21,155,08
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	$ 674,319	$ 242,000	$ --	$ 916,31
Accrued compensation	174,616	--	--	174,61
Dur to joint ventures	2,285,831	--	--	2,285,83
Current portion of capital lease obligations	126,611	--	--	126,61
Total current liabilities	3,261,377	242,000	--	3,503,37
Long-term portion of capital lease obligations	162,754	--	--	162,75
Total liabilities	3,424,131	242,000	--	3,666,13
Series C Preferred stock	10,004,315	--	--	10,004,31
Stockholders' equity (deficit):				
Preferred stock	--	8,000	(8,000)b	-
Series B convertible preferred stock	10,439,339	--	--	10,439,33
Common Stock	12,861	5,000	9,050 a	21,91
			(5,000)b	
Additional paid-in capital	39,633,107	13,971,000	9,328,909 a	48,962,01
			(13,971,000)b	
Deferred compensation	(6,350)	(66,000)	(7,054)c	(13,40
			66,000 b	
Deficit accumulated during the development stage	(51,481,746)	(8,955,000)	8,955,000 b	(51,481,74
Unrealized gain on marketable securities	270	--	--	27
Treasury stock	(443,750)	--	--	(443,75
Total stockholders' equity (deficit)	(1,846,269)	4,963,000	4,367,905	7,484,63

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 11,582,177	$ 5,205,000	$ 4,367,905	$ 21,155,08

ENDOREX CORPORATION

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2001

	ENDOREX	CTD	PRO FORMA ADJUSTMENTS	PRO FORM
SBIR contract revenue	$ --	$ --	$ --	$
Expenses:				
SBIR contract research and development	--	--	--	
Proprietary research and development	1,171,494	880,000	--	2,051,4
General and administrative	908,269	724,000	--	1,632,2
Intangible amortization	--	--	537,251c	537,2
Total Expenses	2,079,763	1,604,000	537,251	4,221,0
Loss from operations	(2,079,763)	(1,604,000)	(537,251)	(4,221,0
Equity in losses from joint ventures	(577,661)	--	--	(577,6
Other income	(1,577)	--	--	(1,5
Interest income	294,686	173,000	--	467,6
Interest expense	(27,320)	--	--	(27,3
Net loss	(2,391,635)	(1,431,000)	(537,251)	(4,359,8
Preferred stock dividends	(737,142)	--	--	(737,1
Net loss applicable to common stockholders	$(3,128,777)	$(1,431,000)	$(537,251)	$(5,097,0
Basic and diluted net loss per share applicable to common stockholders	$ (0.25)			$ (0.
Basic and diluted weighted average common shares outstanding	12,741,858			22,175,7

ENDOREX CORPORATION

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2000

	ENDOREX	CTD	PRO FORMA ADJUSTMENTS	PRO FORMA

SBIR contract revenue	$ --	$ --	$ --	$ -
Expenses:				
SBIR contract research and development	--	--		-
Proprietary research and development	956,742	1,324,000		2,280,74
General and administrative	2,101,767	1,354,000		3,455,76
Intangible amortization	--	--	1,074,503	1,074,50
Stock option compensation	--	--	7,054 c	7,05
Total Expenses	3,058,509	2,678,000	1,081,557	6,818,06
Loss from operations	(3,058,509)	(2,678,000)	(1,081,557)	(6,818,06
Equity in losses from joint ventures	(2,682,368)	--		(2,682,36
Other income	250,000	--		250,00
Interest income	747,073	428,000		1,175,07
Interest expense	(51,889)	--		(51,88
Net loss	(4,795,693)	(2,250,000)	(1,081,557)	(8,127,25
Preferred stock dividends	(1,382,200)	--		(1,382,20
Net loss applicable to common stockholders	$(6,177,893)	$(2,250,000)	$(1,081,557)	$(9,509,45
Basic and diluted net loss per share applicable to common stockholders	$ (0.51)			$ (0.4
Basic and diluted weighted average common shares outstanding	12,194,260			21,628,14

NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

(1) To record the June 30, 2001 acquisition of CTD.

A summary of the purchase price for the acquisition is as follows:

Stock	$ 9,056,529
Stock options and warrants	274,376
Direct acquisition costs	1,004,608
Total Purchase price	$10,335,513

The purchase price was allocated as follows:

Cash acquired	$ 5,072,000
Other current assets	4,000
Equipment	13,000
Licenses	116,000
Accounts payable and accrued expenses	(242,000)
Indentifiable Intangibles	5,372,513
	$10,335,513

Purchase accounting adjustments include:

a) The issuance of Endorex common stock as part of the purchase price.

b) The elimination of CTD's equity prior to the transaction.

c) The recognition of identifiable intangibles and unearned compensation. Identifiable intangible amortization has been based upon a five year life. Unearned compensation amortization has been based upon the remaining average vesting period of the unvested options (5 months).

d) The recognition of estimated closing costs of $1,004,608.

(2) Pro Forma basic and diluted net loss per share are computed by dividing the pro forma net loss attributable to common shareholders by the pro forma weighted average number of common shares outstanding. Potentially dilutive securities were not taken into account because their effects would be anti-dilutive. A reconciliation of shares used to compute historical basic and diluted net loss per share to shares used to compute pro forma basic and diluted net loss per share is as follows:

	SIX MONTHS ENDED JUNE 30, 2001	YEAR ENDED DECEMBER 31, 2000
Shares used to compute historical basic and diluted net loss per share	12,741,858	12,194,260
Shares issued in acquisition	9,433,884	9,433,884
Shares used to compute pro forma basic and diluted net loss per share	22,175,742	21,628,144

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS

ENDOREX CORPORATION AND ITS SUBSIDIARIES

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ENDOREX CORPORATION, INC.
AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Endorex Corporation

(A Development Stage Enterprise)

We have audited the accompanying balance sheet of Endorex Corporation (the Company, a development stage enterprise) as of December 31, 2000, and the related statements of operations, stockholders' equity, and cash flows for the year then ended, and for the period February 15, 1985 (inception) through December 31, 2000. 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 audit. The financial statements as of December 31, 1999 and for the year then ended and for the period February 15, 1985 (inception) through December 31, 1999, were audited by other auditors whose report dated February 4, 2000 expressed an unqualified opinion on those statements. The financial statements for the period February 15, 1985 (inception) through December 31, 1999 include total revenues and net loss of $100,000 and $(42,758,195), respectively. Our opinion on the statements of operations, stockholders' equity, and cash flows for the period February 15, 1985 (inception) through December 31, 2000, insofar as it relates to amounts for prior periods through December 31, 1999, is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the 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 audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2000 and the results of its operations and its cash flows for the year then ended and the period from February 15, 1985 (inception) through December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
February 15, 2001

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Endorex Corporation
(A Development Stage Enterprise):

In our opinion, the accompanying consolidated balance sheet as of December 31, 1999 and the related consolidated statements of operations, of stockholders' equity and of cash flows for the year ended December 31, 1999, and for the period cumulative from inception (February 15, 1985) to December 31, 1999, present fairly, in all material respects, the financial position, results of operations and cash flows of Endorex Corporation and its subsidiaries (a development stage enterprise) at December 31, 1999 and for the year ended December 31, 1999, and for the period cumulative from inception (February 15, 1985) to December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. We have not audited the consolidated financial statements of Endorex Corporation for any period subsequent to December 31, 1999.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
February 4, 2000

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,831,266	$ 4,995,906
Marketable securities--available for sale	2,014,984	3,547,847
Receivable from related party	126,538	34,339
Prepaid expenses	58,803	68,207
Total current assets	13,031,591	8,646,299
Leasehold improvements and equipment net of, accumulated amortization of $800,066 and $649,092	384,162	448,951
Patent issuance costs, net of accumulated amortization of $10,970 and $5,088	253,705	176,875
TOTAL ASSETS	$ 13,669,458	$ 9,272,125
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 642,440	$ 496,889
Accrued compensation	147,205	184,508
Due to joint ventures	2,010,713	942,333
Current portion of capital lease obligations	118,793	110,342
Total current liabilities	2,919,151	1,734,072
Long-term portion of capital lease obligations	204,162	281,899
Total Liabilities	3,123,313	2,015,971
Series C exchangeable convertible preferred stock, $.05 par value. Authorized 200,000 shares; 97,603 and 91,218 issued and outstanding, at liquidation value	9,665,512	9,027,012
Stockholders' equity (deficit):		
Preferred stock, $.001 par value. Authorized 4,600,000 shares; none issued and outstanding	--	--

Series B convertible preferred stock, $.05 par value. Authorized 200,000 shares; 100,410 and 92,973 issued & outstanding, at liquidation value	10,041,000	9,297,300
Common stock, $.001 par value. Authorized 50,000,000 shares; 12,860,500 and 10,874,295 issued, 12,741,858 and 10,755,653 outstanding	12,861	10,878
Additional paid-in capital	40,365,410	33,659,131
Deferred compensation	(4,853)	--
Deficit accumulated during the development stage	(49,090,110)	(44,294,417)
Unrealized gain on marketable securities	75	--
	1,324,383	(1,327,108)
Less: Treasury stock, at cost, 118,642 shares	(443,750)	(443,750)
Total Stockholders' Equity (Deficit)	880,633	(1,770,858)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 13,669,458	$ 9,272,125

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

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	CUMULATIVE PE FEBRUARY 15 1985 (INCEPTI TO DECEMBER 2000
SBIR contract revenue	$ --	$ --	$ 100,00
Expenses:			
SBIR contract research and development	--	--	86,16
Proprietary research and development	956,742	2,028,945	14,833,00
General and administrative	2,101,767	3,046,684	13,072,04
Total expenses	3,058,509	5,075,629	27,991,21
Loss from operations	(3,058,509)	(5,075,629)	(27,891,21
Equity in losses from joint ventures	(2,682,368)	(2,865,908)	(22,646,25
Other income	250,000	3,790	255,30
Interest income	747,073	488,582	3,041,58
Interest expense	(51,889)	(51,854)	(313,31
Loss before income taxes	(4,795,693)	(7,501,019)	(47,553,88
Income taxes	--	--	-
Net loss	(4,795,693)	(7,501,019)	(47,553,88
Preferred stock dividends	(1,382,200)	(1,285,413)	(3,380,80
Net loss applicable to common stockholders	$(6,177,893)	$(8,786,432)	$(50,934,68
Basic and diluted net loss per share applicable to			

common stockholders	$ (0.51)	$ (0.82)	$ (16.3
Basic and diluted weighted average common shares outstanding	12,194,260	10,755,328	3,125,04

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

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK		PREFERRED STOCK	
	SHARES	PAR VALUE	SHARES	VALUE
Common stock issued for cash in February 1985 at $1.50 per share	667	$ 1		
Net earnings for the period from February 15, 1985 to January 31, 1986	--	--		
BALANCE--JANUARY 31, 1986	667	1		
Common stock issued for cash in October 1986 at $750.00 per share	666	1		
Excess of fair market value over option Price of non-qualified stock option granted	--	--		
Net loss for the year	--	--		
BALANCE--JANUARY 31, 1987	1,333	2		
Common stock issued in May 1987 at $750.00 per share for legal services performed for the company	7	--		
Net proceeds from initial public stock offering in June 1987 at $6,000.00 per share, less issuance costs	333	--		
Non-qualified stock options exercised	48	--		
Amortization of deferred compensation	--	--		
Excess of fair market value over option price of non-qualified stock options granted	--	--		
Net loss for the year	--	--		
BALANCE--JANUARY 31, 1988	1,721	2		
Non-qualified stock options exercised	18	--		
Stock warrants exercised	1	--		
Common stock redeemed and retired	(10)	--		
Excess of fair market value over option price of non-qualified stock options granted	--	--		
Amortization of deferred compensation	--	--		
Net loss for the Year	--	--		
BALANCE--JANUARY 31, 1989	1,730	2		
Non-qualified stock options exercised	71	--		
Common stock redeemed and retired	(12)	--		
Excess of fair market value over option price of non-qualified stock options granted	--	--		
Net proceeds from secondary public stock offering				

in April 1989 at $525.00 per share, less issuance cost	2,174	2		
Amortization of deferred compensation	--	--		
Net loss for the year	--	--		
BALANCE--JANUARY 31, 1990	3,963	4		
Common stock issued for cash in October 1990 through January 1991 at $9.00 per share	5,694	6		
Excess of fair market value over option price of non-qualified stock options granted	--	--		
Net loss for the year	--	--		

	OTHER COMPREHENSIVE INCOME	TREASURY STOCK		DEFER
		SHARES	COST	COMPENS
Common stock issued for cash in February 1985 at $1.50 per share	$ --	--	$ --	$
Net earnings for the period from February 15, 1985 to January 31, 1986		--	--	
BALANCE--JANUARY 31, 1986		--	--	
Common stock issued for cash in October 1986 at $750.00 per share		--	--	
Excess of fair market value over option Price of non-qualified stock option granted		--	--	
Net loss for the year		--	--	
BALANCE--JANUARY 31, 1987		--	--	
Common stock issued in May 1987 at $750.00 per share for legal services performed for the company		--	--	
Net proceeds from initial public stock offering in June 1987 at $6,000.00 per share, less issuance costs		--	--	
Non-qualified stock options exercised		--	--	(28,
Amortization of deferred compensation		--	--	7,
Excess of fair market value over option price of non-qualified stock options granted		--	--	
Net loss for the year		--	--	
BALANCE--JANUARY 31, 1988		--	--	(20,
Non-qualified stock options exercised		--	--	
Stock warrants exercised		--	--	
Common stock redeemed and retired		--	--	
Excess of fair market value over option price of non-qualified stock options granted		--	--	
Amortization of deferred compensation		--	--	19,
Net loss for the Year		--	--	
BALANCE--JANUARY 31, 1989		--	--	(1,
Non-qualified stock options exercised		--	--	
Common stock redeemed and retired		--	--	
Excess of fair market value over option price of non-qualified stock options granted		--	--	
Net proceeds from secondary public stock offering in April 1989 at $525.00 per share, less issuance cost		--	--	

Amortization of deferred compensation.....		--	--	1,
Net loss for the year.....		--	--	
BALANCE--JANUARY 31, 1990.....		--	--	
Common stock issued for cash in October 1990 through January 1991 at $9.00 per share.....		--	--	
Excess of fair market value over option price of non-qualified stock options granted.....		--	--	
Net loss for the year.....		--	--	

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

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

	COMMON STOCK		PREFERRED STOCK	
	SHARES	PAR VALUE	SHARES	VALUE
BALANCE--JANUARY 31, 1991--FORWARD.....	9,657	$ 10		
Common stock issued for cash in February 1991 through April 1991 at $9.00 per share.....	2,772	3		
Common stock issued for cash and services in November 1991 at $1.50 per share.....	15,333	15		
Common stock issued for cash and note in December 1991 at $0.75 per share.....	296,949	297		
Excess of fair market value over option price of non-qualified stock options granted.....	--	--		
Non-qualified stock options exercised.....	1	--		
Net loss for the year.....	--	--		
BALANCE--JANUARY 31, 1992.....	324,712	325		
Payment on note receivable.....	--	--		
Net proceeds from secondary public stock offering in August 1992 at $112.50 per share, less issuance costs.....	66,666	66		
Non-qualified stock options exercised.....	2,000	2		
Net loss for the year.....	--	--		
BALANCE--JANUARY 31, 1993.....	393,378	393		
Excess of fair market value over option price of non-qualified stock options granted.....	--	--		
Amortization of deferred compensation.....	--	--		
Non-qualified stock options exercised.....	67	--		
Collection of note receivable.....	--	--		
Net loss for the year.....	--	--		
BALANCE--JANUARY 31, 1994.....	393,445	393		
Acquisition of treasury stock.....	--	--		
Forfeiture of non-qualified stock options granted.....	--	--		
Amortization of deferred compensation.....	--	--		

Net loss for the year	--	--		
BALANCE--JANUARY 31, 1995	393,445	393		
Acquisition of treasury stock	--	--		
Forfeiture of non-qualified stock options granted	--	--		
Amortization of deferred compensation	--	--		
Net loss for the year	--	--		
BALANCE--JANUARY 31, 1996	393,445	393		
Common stock issued at $0.975 per share	333,333	333		
Common stock issued at $3.00 per share	333,333	333		
Non-qualified stock options exercised	145,283	146		
Net loss for the period	--	--		

	OTHER COMPREHENSIVE INCOME	TREASURY STOCK SHARES	TREASURY STOCK COST	DEFER COMPENS
BALANCE--JANUARY 31, 1991--FORWARD		--	$ --	$
Common stock issued for cash in February 1991 through April 1991 at $9.00 per share		--	--	
Common stock issued for cash and services in November 1991 at $1.50 per share		--	--	
Common stock issued for cash and note in December 1991 at $0.75 per share		--	--	
Excess of fair market value over option price of non-qualified stock options granted		--	--	
Non-qualified stock options exercised		--	--	
Net loss for the year		--	--	
BALANCE--JANUARY 31, 1992		--	--	
Payment on note receivable		--	--	
Net proceeds from secondary public stock offering in August 1992 at $112.50 per share, less issuance costs		--	--	
Non-qualified stock options exercised		--	--	
Net loss for the year		--	--	
BALANCE--JANUARY 31, 1993		--	--	
Excess of fair market value over option price of non-qualified stock options granted		--	--	(126,
Amortization of deferred compensation		--	--	40,
Non-qualified stock options exercised		--	--	
Collection of note receivable		--	--	
Net loss for the year		--	--	
BALANCE--JANUARY 31, 1994		--	--	(85,
Acquisition of treasury stock		41,975	(300,000)	
Forfeiture of non-qualified stock options granted		--	--	22,
Amortization of deferred compensation		--	--	49,
Net loss for the year		--	--	
BALANCE--JANUARY 31, 1995		41,975	(300,000)	(13,
Acquisition of treasury stock		76,667	(143,750)	
Forfeiture of non-qualified stock options granted		--	--	1,

Amortization of deferred compensation.....		--	--	12,
Net loss for the year.....		--	--	
BALANCE--JANUARY 31, 1996.....		118,642	(443,750)	
Common stock issued at $0.975 per share.....		--	--	
Common stock issued at $3.00 per share.....		--	--	
Non-qualified stock options exercised.....		--	--	
Net loss for the period.....		--	--	

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

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

	COMMON STOCK		PREFERRED STOCK	
	SHARES	PAR VALUE	SHARES	VALUE
BALANCE--DECEMBER 31, 1996--FORWARD.....	1,205,394	$ 1,205		$
Warrants exercised at $1.20 per share.....	1,173	1		
Proceeds on exercise of stock options.....	--	--		
Warrants Issued.....				
Net proceeds from private placement at $2.3125 per share, less issuance cost.....	8,648,718	8,650		
Net loss for the year.....	--	--		
BALANCE--DECEMBER 31, 1997.....	9,855,285	9,856		
Net proceeds from issuance of common stock and warrants.....	307,692	308		
Proceeds from exercise of stock options.....	25,000	25		
Purchase and retirement of common stock.....	(133,335)	(134)		
Net proceeds from issuance of Series B Preferred Stock at $100 per share.....			80,100	8,010,00
Accrued preferred stock dividends.....			5,986	598,66
Net loss for the year.....	--	--		
BALANCE--DECEMBER 31, 1998.....	10,054,642	10,055	86,086	8,608,66
Proceeds from exercise of stock options.....	334	4		
Common stock dividends issued.....	819,319	819		
Accrued preferred stock dividends.....			6,887	688,63
Net loss for the year.....	--	--		
BALANCE--DECEMBER 31, 1999.....	10,874,295	10,878	92,973	9,297,30
Net proceeds from private placement at $4.725 per share, less issuance cost.....	1,809,520	1,810		
Issuance of options issued in exchange for financial advisory services.....				
Issuance of options issued in exchange for consulting services.....				
Amortization of deferred compensation.....				
Proceeds from exercise of stock options.....	71,722	69		
Non-cash exercise of warrants.....	104,963	104		

Accrued preferred stock dividends.....			7,437	743,70
Unrealized gain on marketable securities.....				
Net loss for the year.....				
Comprehensive loss.....				
BALANCE--DECEMBER 31, 2000.....	12,860,500	$12,861	100,410	$10,041,00

	OTHER COMPREHENSIVE INCOME	TREASURY STOCK SHARES	TREASURY STOCK COST	DEFER COMPENS
BALANCE--DECEMBER 31, 1996--FORWARD.....		118,642	$(443,750)	$
Warrants exercised at $1.20 per share.....		--	--	
Proceeds on exercise of stock options.....		--	--	
Warrants Issued.....				
Net proceeds from private placement at $2.3125 per share, less issuance cost.....		--	--	
Net loss for the year.....		--	--	
BALANCE--DECEMBER 31, 1997.....		118,642	(443,750)	
Net proceeds from issuance of common stock and warrants.....		--	--	
Proceeds from exercise of stock options.....		--	--	
Purchase and retirement of common stock.....				
Net proceeds from issuance of Series B Preferred Stock at $100 per share.....				
Accrued preferred stock dividends.....				
Net loss for the year.....		--	--	
BALANCE--DECEMBER 31, 1998.....		118,642	(443,750)	
Proceeds from exercise of stock options.....		--	--	
Common stock dividends issued.....				
Accrued preferred stock dividends.....				
Net loss for the year.....		--	--	
BALANCE--DECEMBER 31, 1999.....		118,642	(443,750)	
Net proceeds from private placement at $4.725 per share, less issuance cost.....				
Issuance of options issued in exchange for financial advisory services.....				(87,
Issuance of options issued in exchange for consulting services.....				(12,
Amortization of deferred compensation.....				95,
Proceeds from exercise of stock options.....				
Non-cash exercise of warrants.....				
Accrued preferred stock dividends.....				
Unrealized gain on marketable securities.....	75			
Net loss for the year.....				
Comprehensive loss.....				
BALANCE--DECEMBER 31, 2000.....	$ 75	118,642	$(443,750)	$ (4,

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

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOW

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	CUM FEB (
OPERATING ACTIVITIES:			
Net Loss	$ (4,795,693)	$(7,501,019)	
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	156,856	153,894	
Gain on sale of marketable Securities--available for sale	--	(110,244)	
Noncash stock compensation	95,307		
Equity in losses from joint ventures	2,682,368	2,865,908	
Amortization of fair value of warrants	--	1,253,856	
Gain on sale of assets	--	(3,790)	
Write off patent issuance cost	--	327,078	
Changes in assets and liabilities:			
Restricted cash	--	500,000	
Receivable from related party	(92,199)	(34,339)	
Prepaid expenses	9,404	(2,446)	
Accounts payable and accrued expenses	145,551	188,503	
Accrued compensation	(37,303)	(56,509)	
Due to joint ventures	(1,613,988)	442,333	
Total adjustments	1,345,996	5,524,244	
NET CASH USED IN OPERATING ACTIVITIES	(3,449,697)	(1,976,775)	
INVESTING ACTIVITIES:			
Patent issuance cost	(82,712)	(152,530)	
Investment in joint ventures	--	(2,465,408)	
Organizational costs incurred	--	--	
Purchases of leasehold improvements	--	(20,054)	
Purchases of office and lab equipment	(86,185)	(107,873)	
Proceeds from assets sold	--	3,790	
Purchases of marketable securities--available for sale	(5,390,981)	(4,663,099)	
Proceeds from sale of marketable securities--available for sale	6,923,919	2,175,496	
NET CASH USED IN INVESTING ACTIVITIES	1,364,041	(5,229,678)	
FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock	7,774,548	--	
Net proceeds from issuance of preferred stock	--	--	
Proceeds from exercise of options	215,754	351	
Proceeds from borrowings under line of credit	45,621	95,774	
Repayment of borrowings under line of credit	(114,907)	(96,181)	
Proceeds from notes payable	--	--	
Payments on notes payable	--	--	
Repayment of long-term note receivable	--	--	
Repayment of note payable issued in exchange for legal			

service	--	--
Purchase and retirement of common stock	--	--
Purchase of treasury stock	--	--
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	7,921,016	(56)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	5,835,360	(7,206,509)
CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD	4,995,906	12,202,415
CASH AND CASH EQUIVALENTS--END OF PERIOD	$ 10,831,266	$ 4,995,906
SUPPLEMENTAL DISCLOSURE OF CASH FLOW:		
Cash paid for interest	$ 51,889	$ 51,950
NON-CASH TRANSACTIONS		
Issuance of common stock dividends in kind	$ --	$ 1,536,223
Issuance of preferred stock dividends in kind	1,382,200	1,285,413

The accompanying notes are an integral part of the consolidated financial statements

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

BASIS OF PRESENTATION--Endorex Corporation (Endorex, or the Company) and Subsidiaries was incorporated in January 1987 as ImmunoTherapeutics, Inc, a wholly owned subsidiary of BiologicalTherapeutics, Inc. ("BTI"). BTI was incorporated on December 19, 1984 and commenced operations on February 15, 1985 {inception date}. On March 30, 1987 BTI was merged into Endorex. The Company's financial statements include the accounts of the predecessor, BTI, for all periods presented. In October 1996 Endorex formed its first subsidiary, Orasomal Technologies, Inc. ("Orasomal"), and in July 1997, formed a second subsidiary, Wisconsin Genetics, Inc. ("WGI").

NATURE OF BUSINESS--Endorex is a development stage, drug delivery company. The Company's core drug delivery technology focuses on oral/mucosal delivery of drugs and vaccines previously delivered only by injection. The Company's Orasome-TM- system utilizes technology licensed from MIT to develop the oral/mucosal delivery of vaccines, proteins and peptides.

In 1998 the Company formed two joint ventures with Elan Corporation, plc ("Elan"), one of the world's leading drug delivery companies. The purpose of the first joint venture, InnoVaccines Corporation ("InnoVaccines"), is to research, develop, and commercialize novel delivery systems for the human and veterinary vaccine markets. The second joint venture, Endorex Newco, LTD. ("Newco"), focuses on the utilization of the MEDIPAD-Registered Trademark- microinfusion pump, developed by Elan, to deliver iron chelators for the treatment of a series of genetic blood disorders known as iron overload disorders.

2. DEVELOPMENT STAGE ENTERPRISE

The Company's activities to date principally have been conducting research and development in conjunction with developing new products. Consequently, as shown in the accompanying financial statements, the Company has not realized substantial revenue and has a deficit accumulated during the development stage for the period from inception, February 15, 1985 through December 31, 2000 of

$49.1 million. The company will continue to be a development stage company, as defined in Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development Stage Enterprises", until it begins normal operations with revenue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION--The consolidated financial statements include Endorex and its subsidiaries, Orasomal and WGI. All significant intercompany accounts and transactions have been eliminated in consolidation.

SEGMENT AND GEOGRAPHIC INFORMATION--The Company operates in the biotechnology drug delivery industry and do not have reportable operating segments as defined by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information."

EQUITY METHOD ACCOUNTING FOR INVESTMENTS IN COMMON STOCK--The Company accounts for investments in common stock of non-controlled entities (i.e., InnoVaccines and Newco joint ventures) using the equity method, in accordance with Accounting Principles Board Opinion (APB) No. 18. The Company discontinues application of the equity method when the investment is reduced to zero and does not provide for additional losses, provided that the Company has not guaranteed the obligations

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
of the investee and is not otherwise committed to provide further financial support for the investee. See Note 4 for a description of the Company's investment in joint ventures.

CASH AND CASH EQUIVALENTS--The Company considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents.

MARKETABLE SECURITIES--Marketable securities are comprised of high-grade commercial paper and short-term government agency notes that have maturities ranging from three to twelve months from the purchase date. The fair value of marketable securities classified as available for sale approximates the carrying value of these assets at December 31, 2000 and 1999 due to the short maturity of the instruments.

RESEARCH AND DEVELOPMENT COSTS--Expenditures for research and development activities are charged to operations as incurred.

PATENT COSTS--Patent costs, principally legal fees, are capitalized and, upon issuance of the patent, are amortized on a straight-line basis over the estimated useful life of the patent or the estimated remaining economic life.

IMPAIRMENT OF LONG-LIVED ASSETS--Equipment, leasehold improvements and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and the carrying value of the related asset or group of assets. Such analyses necessarily involve significant judgement.

NET LOSS PER SHARE--In accordance with generally accepted accounting principles, basic and diluted net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the respective periods. The effect of stock options, warrants and convertible preferred stock is antidilutive for all periods presented.

INCOME TAXES--Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the current tax payable for the period plus or minus the change during the period in deferred tax assets and liabilities. No current or deferred income taxes have been provided through December 31, 2000 because of the net operating losses incurred by the Company since its inception.

STOCK BASED COMPENSATION--The Company accounts for stock-based compensation for awards to employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and has adopted the disclosure only alternative of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123). Stock compensation expense for options granted to nonemployees has been determined in accordance with FAS 123 and EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," and represents the fair value of the consideration received, or the fair value of the equity instruments

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
issued, whichever may be more reliably measured. For options that vest over future periods, the fair value of options granted to non-employees is periodically remeasured as the underlying value of the securities changes.

FAIR VALUE OF FINANCIAL INSTRUMENTS--Generally accepted accounting principles require that fair values be disclosed for most of the company's financial instruments. The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, marketable securities, receivables from related party, current liabilities and capital lease obligations are considered to be representative of their respective fair values.

USE OF ESTIMATES--The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

RISK AND UNCERTAINTIES--The Company is subject to risks common to companies in the biotechnology industry, including, but not limited to, litigation, product liability, development of new technological innovations, dependence on key personnel, protections of proprietary technology, and compliance with FDA regulations.

RECLASSIFICATIONS--Certain reclassifications have been made to the 1999 financial statements to conform to the 2000 presentation.

NEW ACCOUNTING PRONOUNCEMENTS--In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133, as amended, will be effective for the Company on January 1, 2001 and requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The Company does not expect the effect of adopting the provisions of SFAS no. 133 to have a significant impact on its financial position or results of operations.

4. INVESTMENT IN JOINT VENTURES

In 1998 Endorex formed two joint ventures with Elan as follows:

INNOVACCINES CORPORATION

InnoVaccines was established in January 1998 pursuant to agreements between Endorex and Elan. At closing, the Company issued to Elan International Services, Ltd. ("EIS") 307,692 shares of Endorex common stock and a six-year warrant for the purchase an additional 230,770 shares of Endorex common stock at an exercise price of $10.00 per share for an aggregate purchase price of $2.0 million. In addition, EIS purchased $8.0 million of Endorex Series B convertible preferred stock, which is convertible into Endorex common stock at a price of $7.38 per share, subject to adjustment. The Series B convertible preferred stock pays an 8% annual in-kind dividend, which was $743,700 and $688,634 in 2000 and 1999, respectively.

4. INVESTMENT IN JOINT VENTURES (CONTINUED)

InnoVaccines is owned 80.1% by Endorex and 19.9% by Elan. Although Endorex is the majority shareholder, the joint development agreement of InnoVaccines gives management participation to both Endorex and Elan equally. Therefore, because the minority shareholder, Elan, has substantive participating veto rights, Endorex accounts for its investment in the joint venture using the equity method of accounting, in accordance with EITF-96-16 "Investor's Accounting for an Investee, When the Investor Has a Majority of the Voting Interest but the Minority Shareholder of Shareholders Have Certain Approval or Veto Rights". InnoVaccines licensed certain technology from Elan and certain other technology from Orasomal. Endorex and Elan originally invested $8.0 and $2.0 million in the joint venture, respectively.

At closing, InnoVaccines paid Elan an initial $10.0 million license payment. Elan may receive future milestone payments and royalties based on the joint venture's performance. As the technology did not yet represent a commercial product, the joint venture recorded an expense in 1998 for the initial license fee. The Company recorded its $8.0 million share of the license fee expense in accordance with the equity method.

Orasomal sub-licensed to InnoVaccines oral vaccine rights to its proprietary Orasome polymerized liposome technology exclusively licensed from MIT. In consideration of the license, Orasomal may receive milestone payments and royalties.

The InnoVaccines joint venture entity contracts with both Endorex and Elan,

which perform research and development on behalf of the joint venture. Elan and Endorex each funded research and development related to InnoVaccines technology equally from the inception of the joint venture through March 31, 1999, in accordance with the joint development and operating agreement. Such payments were not funded through the joint venture and Endorex expensed the payments. Subsequent to April 1, 1999, Endorex and Elan are responsible for funding joint venture expenditures in proportion to their respective ownership levels through the joint venture entity (as a loan). During the years ended December 31, 2000 and 1999, Endorex incurred research and development and general and administrative expenditures aggregating $1.7 and $1.5 million, respectively, which were billed to InnoVaccines.

Endorex has a payable due to the joint venture of approximately $1.7 million as of December 31, 2000, which consists of Endorex's share of the joint venture's net losses to date in excess of Endorex's initial investment less amounts billed by the Company to the joint venture. The InnoVaccines joint venture has a payable due to Elan of $1.7 million, representing the amount Elan has contributed to InnoVaccines in excess of its funding obligation.

Endorex and Elan also incurred $677,000 and $870,000 of expenditures during the years ended December 31, 2000 and 1999, respectively, related to certain licenses that Endorex and Elan acquired for further development on behalf of InnoVaccines. Elan and Endorex each agreed to pay 50% of the license costs outside of the joint venture entity. The receivable from related party of $126,538 and $34,339 at December 31, 2000 and 1999, respectively, on the accompanying consolidated balance sheets represent reimbursements not yet received from Elan. The Company's portion of the license costs have been included in equity in losses from joint ventures in the accompanying statements of operations. These amounts were not capitalized, because the technology does not yet represent a commercial product.

4. INVESTMENT IN JOINT VENTURES (CONTINUED)

ENDOREX NEWCO, LTD.

Newco was established in October 1998 pursuant to agreements between Endorex and Elan. At closing, Endorex and EIS purchased $8.4 million and $2.1 million of Newco's common stock, respectively. In addition, Elan purchased $8,410,500 of Endorex Series C Convertible Preferred Stock. The Series C Preferred Stock is exchangeable at Elan's option for an additional 30.1% ownership interest of Newco's common stock, or it may be converted into Endorex's common stock at a price of $8.86 per share. The Series C Preferred Stock pays a 7% annual in-kind dividend, which was $638,500 and $596,778 in 2000 and 1999, respectively.

Newco is owned 80.1% by Endorex and 19.9% by EIS. Although Endorex is the majority shareholder, the joint development agreement of Newco gives management participation to both Endorex and Elan equally. Therefore, because the minority shareholder, Elan, has substantive participating veto rights, Endorex accounts for its investment in the joint venture using the equity method of accounting in accordance with EITF-96-16. At closing, Newco paid Elan an initial $10.0 million license payment. Because the technology did not represent a commercial product, Newco recorded an expense in 1998 for the initial license fee expense. The Company recorded its $8.0 million share of the license fee in accordance with the equity method. Elan may also receive future milestone payments and royalties based on Newco's performance.

In consideration of the license fee, Newco has obtained an exclusive worldwide license to the MEDIPAD drug delivery system developed by Elan with two drugs. Newco is focusing on development of the first of those drugs, Norditropin, an iron chelator for the treatment of a series of genetic blood disorders known as iron overload disorders. MEDIPAD is a lightweight, microinfusion pump, which combines the simplicity of a patch with the extensive delivery capabilities of an infusion pump.

The Newco joint venture entity contracts with both Endorex and Elan, which perform research and development on behalf of the joint venture. During 2000 and 1999, Elan and Endorex were required to fund Newco expenditures according to their respective ownership interests. Endorex may choose to borrow from a multi-draw convertible note with Elan to fund its portion of Newco's research and development expenses. Through December 31, 2000, no amounts have been borrowed under this note.

During the years ended December 31, 2000 and 1999, Endorex incurred research and development and general and administrative expenditures aggregating $42,000 and $148,000, respectively, related to the joint venture and billed to Newco. Endorex has a payable due to Newco of $334,000 at December 31, 2000, which consists of Endorex's initial investment less amounts billed by the Company to the joint venture.

4. INVESTMENT IN JOINT VENTURES (CONTINUED)
UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR UNCONSOLIDATED JOINT VENTURES

Condensed, unaudited financial statement information of the joint ventures is stated below. The joint ventures had no revenues in any period.

	DECEMBER 31,	
	2000	1999
InnoVaccines net loss	$(3,466,101)	$(2,679,643)
Newco net loss	(168,945)	(682,902)
Total net loss	$(3,635,046)	$(3,362,545)
Reconciliation of joint venture net losses to equity in losses from joint ventures:		
Total joint venture net losses	$(3,635,046)	$(3,362,545)
Endorex mark up(a)	617,925	509,683
Elan Minority Interest	723,374	669,146
InnoVaccine license costs incurred by Endorex, outside of joint venture	(388,621)	(682,192)
Equity in losses from joint ventures	$(2,682,368)	$(2,865,908)

(a) The Company invoices the joint venture at cost, plus a mark-up that is agreed to by Elan, which is intended to approximate overhead costs.

5. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Office and lab equipment is stated at cost. Depreciation is computed on a straight-line basis over five years. Leasehold improvements are amortized utilizing the straight-line method over the term of the lease. Depreciation expense was $151,024 and $138,582 and for the periods ended December 31, 2000 and 1999, respectively. Leasehold improvements and equipment consisted of the following at December 31:

	2000	1999
Leasehold improvements	$ 255,888	$ 255,888
Laboratory equipment	786,902	730,803
Office equipment	141,438	111,302
	1,184,228	1.097,993
Accumulated depreciation	(800,066)	(649,042)
	$ 384,162	$ 448,951

6. LINES OF CREDIT

On December 31, 1998, Endorex obtained a $750,000 equipment financing line with Finova Technology Financing, Inc. ("Finova"). At December 31, 2000, approximately $503,000 has been used to finance equipment and leasehold improvements under capital leases (see Note 10). Interest rates for each draw are based upon a base interest rate of 7.4%, plus an index rate equivalent to the highest yield published for three-year United States Treasury Notes two days prior to the loan draw. The

6. LINES OF CREDIT (CONTINUED)
aggregate interest rates incurred to date range from 12.15% to 13.82%. Draws are payable in monthly installments over a period of 48 months, with a final payment in June 2004.

On May 19, 1997, Endorex entered into a senior line of credit agreement with The Aries Funds, two of the Company's major stockholders, to borrow up to $500,000 (the "Bridge Loan"). During 1997, the Company paid the outstanding principal and interest on the Bridge Loan. In partial consideration of the Bridge Loan, the Company granted warrants to purchase an aggregate of 66,668 shares of common stock at an initial exercise price equal to $2.3125 per share. The warrant exercise price and the number of shares that can be purchased are subject to adjustment in certain circumstances. The warrants are exercisable until May 19, 2002.

7. STOCKHOLDERS' EQUITY

Private Placements--In April 2000, the Company issued and sold an aggregate of 1,809,520 shares of common stock. Gross proceeds of these issuances were $8.6 million with net proceeds, after deducting commissions and expenses, of $7.8 million.

In connection with the April 2000 private placement, the Company issued warrants to the investors for the purchase of 452,383 shares of its common stock. The warrants issued to these investors are immediately exercisable at $5.91 per share and expire in April 2005. Also, as part of the compensation received by Paramount Capital, Inc. ("Paramount") for its assistance in the private placement, Paramount received warrants to purchase 226,190 shares of Endorex common stock. These warrants are immediately exercisable at $5.25 per share, expire in October 2007 and may be called if the closing bid price of the common stock equals or exceeds $13.125 per share for at least 20 consecutive trading days.

During 1997, the Company issued and sold an aggregate of 8,648,718 shares of common stock to certain accredited investors. The gross proceeds of these issuances were $20 million with net proceeds, after deducting commissions and expenses, of $15.1 million.

In connection with the 1997 private placement, the Company issued warrants for the purchase of 864,865 shares of Endorex common stock at an exercise price of $2.54375 per share to Paramount, the placement agent, and certain of its affiliates and employees. The Company also issued warrants to purchase 1,297,297 shares of Endorex common stock at an exercise price of $2.54375 per share to certain employees of Paramount. The estimated fair value at the warrants' grant date was $3.16 million, which was recorded as a deferred cost and amortized to expense over two years, the term of the agreement. The warrants are exercisable and expire on April 16, 2003. Through December 31, 2000, 148,161 warrants have been exercised.

Common Stock Dividend--The terms of the 1997 private placement also included 5%, semi-annual dividends payable in additional shares of common stock based on the number of shares held as of the record date, including previous dividend distributions. The first and second semi-annual common stock dividends were payable to holders of stock with dividend rights as of the record date of April 16, 1999 and October 16, 1999, respectively. The Company distributed the first and second dividends on June 1, 1999 and November 16, 1999, respectively. No dividends were paid during 2000; dividend rights were terminated effective March 20, 2000.

8. STOCK OPTION PLANS

The Amended and Restated 1995 Omnibus Plan ("the Plan") is intended to promote Endorex's interests by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company as an incentive for them to remain in the service of the Company. The Plan is divided into three separate equity programs: 1) the Discretionary Option Grant Program, under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of common stock, 2) the Salary Investment Option Grant Program, under which eligible employees may elect to have a portion of their base salary invested each year in options to purchase shares of common stock, 3) the Automatic Option Grant Program, under which eligible non-employee Board members will

automatically receive options at periodic intervals to purchase shares of common stock, and 4) the Director Fee Option Grant Program, under which non-employee Board members may elect to have all, or any portion, of their annual retainer fee otherwise payable in cash applied to a special option grant.

The Board of Directors' Compensation Committee determines the terms of the options, including vesting periods. No one person participating in the Plan may receive options and separately exercisable stock appreciation rights for more than 750,000 shares of common stock per calendar year.

As permitted by Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation" (SFAS No. 123), the Company follows Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its stock option plans. Had the Company accounted for its stock option plans based on the fair value at the grant date for options granted under the plan, based on provisions of SFAS 123, the Company's pro forma net loss and pro forma net loss per share would have increased by approximately $0.1 million, or $.01 per share, and $0.4 million, or $0.03 per share, for 2000 and 1999, respectively. Net loss and net loss per share would have increased as follows:

	2000	1999
Net loss applicable to common stockholders:		
As reported	$(6,177,893)	$(8,786,431)
Pro forma	(6,325,952)	(9,118,581)
Basic and diluted net loss per share applicable to common stockholders		
As reported	$ (0.51)	$ (0.82)
Pro forma	(0.52)	(0.85)

The weighted average fair value of options granted with an exercise price equal to the fair market value of the stock was $0.75 and $1.45 for 2000 and 1999, respectively.

The fair value of options in accordance with SFAS 123 was estimated using the Black-Scholes option-pricing model and the following weighted-average assumptions: dividend yield 0%, expected life of four years, volatility of 102% and 139% in 2000 and 1999, respectively and average risk-free interest rates in 2000 and 1999 of 5.5% and 5.63%, respectively.

8. STOCK OPTION PLANS (CONTINUED)

Option activity for the periods ended December 31, 2000 and 1999 was as follows:

	OPTIONS	WEIGHTED AVERAGE OPTIONS EXERCISE PRICE

Balance at December 31, 1998	1,460,776	$3.18
Granted	229,000	1.93
Exercised	(334)	1.05
Forfeited	(117,940)	5.11
Balance at December 31, 1999	1,571,502	2.82
Granted	176,500	3.78
Exercised	(71,722)	3.01
Forfeited	(157,155)	4.76
Balance at December 31, 2000	1,519,125	$2.73

The weighted average exercise price, by price range, for all outstanding options as of December 31, 2000 is:

	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OUTSTANDING OPTIONS	OPTIONS EXCERCISEABLE
Price Range $1.38 - $2.54	8.2 years	1,272,625	1,059,248
Price Range $3.25 - $4.88	9.2 years	161,500	22,800
Price Range $5.50 - $6.75	7.0 years	85,000	85,000
		1,519,125	1,167,048

9. INCOME TAXES

The types of temporary differences between tax bases of assets and liabilities and their financial reporting amounts that give rise to the deferred tax asset (liability) and their approximate tax effects are as follows:

	DECEMBER 31 2000	1999
Deferred tax assets:		
Net operating loss carryforwards	$ 5,858,000	$ 5,414,000
Research and development credit carryforward	618,000	618,000
Licensing fees--amortization	4,778,000	5,045,000
Other	98,000	108,000
	11,352,000	11,185,000
Valuation allowance	(11,352,000)	(11,185,000)
Net deferred tax assets	$ --	$ --

At December 31, 2000, the Company had net operating loss carryforwards of approximately $17 million for U.S. Federal and state tax purposes, which expire beginning in 2007. In the event of a change in ownership greater than 50% in a

three-year period, utilization of the net operating losses

9. INCOME TAXES (CONTINUED)
may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986 and similar state provisions

10. LEASE COMMITMENTS

The Company leases executive offices and research facilities under operating leases, which provide for annual minimum rent and additional rent based on increases in operating costs and real estate taxes. Rental expense was $59,318 during 2000 and $83,153 during 1999.

Future minimum lease payments under capital leases and non-cancelable operating leases with initial terms of one year or more consisted of the following at December 31, 2000:

	CAPITAL LEASES	OPERATING LEASES
2001	$151,965	$ 55,632
2002	179,886	57,300
2003	35,835	59,018
2004	10,619	--
Thereafter	--	--
Total Minimum Lease Payments	$378,305	$171,950
Amount representing interest	(55,350)	
Present value of net minimum lease payments, including current portion	$322,955	

At December 31, 2000, the gross amount of equipment and leasehold improvements recorded under capital leases and related accumulated amortization was approximately, $503,088 and $206,842, respectively.

	JUNE 30, 2001	DECEMBER 31, 2000

ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,808,676	$ 10,831,266
Marketable securities--available for sale	0	2,014,984
Related party receivable	26,745	126,538
Prepaid expenses	52,930	58,803
Total current assets	9,888,351	13,031,591
Leasehold improvements and equipment, net of accumulated amortization of $883,409	407,373	384,162
Patent issuance costs, net of accumulated amortization of $13,030	281,845	253,705
Other Assets:		
Prepaid Acquisition Cost	1,004,608	0
TOTAL ASSETS	$ 11,582,177	$ 13,669,458
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 674,319	$ 642,440
Accrued compensation	174,616	147,205
Due to joint ventures	2,285,831	2,010,713
Current portion of line of credit	126,611	118,793
Total current liabilities	3,261,377	2,919,151
Long-term liabilities:		
Long-term portion of line of credit	162,754	204,162
Total long-term liabilities	162,754	204,162
Total Liabilities	3,424,131	3,123,313
Series C exchangeable convertible preferred stock, $.05 par value. Authorized 200,000 shares; 97,603 issued and outstanding at liquidation value	10,004,315	9,665,512
Stockholders' equity:		
Preferred stock, $.001 par value. Authorized 4,600,000 shares; none issued and outstanding	--	--
Series B convertible preferred stock, $.05 par value. Authorized 200,000 shares; 100,410 issued & outstanding at liquidation value	10,439,339	10,041,000
Common stock, $.001 par value. Authorized 50,000,000 shares; 12,860,500 issued, and 12,741,858 outstanding	12,861	12,861
Additional paid-in capital	39,633,107	40,365,410
Unearned compensation	(6,350)	(4,853)
Deficit accumulated during the development stage	(51,481,746)	(49,090,110)
Unrealized gain/(loss) on marketable securities	270	75
	(1,402,519)	1,324,383
Less: Treasury stock, at cost, 118,642 shares	(443,750)	(443,750)
Total Stockholders' Equity	(1,846,269)	880,633
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 11,582,177	$ 13,669,458

See accompanying condensed notes to financial statements.

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ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,		CUMULATIVE FR FEBRUARY 15, 1 (DATE OF INCEPT TO JUNE 30, 20
	2001	2000	
Revenue:			
SBIR contract revenue	$ --	$ --	$ 100,0
Expenses:			
SBIR contract research and development	--	--	86,1
Proprietary research and development	1,171,494	468,193	16,004,4
General and administrative	908,269	981,521	13,980,3
Total operating expenses	2,079,763	1,449,714	30,070,9
Loss from operations	(2,079,763)	(1,449,714)	(29,970,9
Equity losses in joint ventures	(577,661)	(1,578,856)	(23,223,9
Other income	(1,575)	--	253,7
Interest income	294,685	320,965	3,336,2
Interest expense	(27,321)	(23,019)	(340,6
Net loss	(2,391,635)	(2,730,624)	(49,945,5
Preferred stock dividends	(737,142)	(687,378)	(4,117,9
Net loss available to common stockholders	$(3,128,777)	$(3,418,002)	$(54,063,4
Basic and diluted net loss per share available to common stockholders	$ (0.25)	$ (0.29)	$ (15.
Basic and diluted weighted average common shares outstanding	12,741,858	11,646,663	3,416,1

See accompanying condensed notes to financial statements.

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ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,	
	2001	2000
Revenue:		

SBIR contract revenue	$ --	$ --
Expenses:		
SBIR contract research and development	--	--
Proprietary research and development	585,642	217,112
General and administrative	439,515	615,559
Total operating expenses	1,025,157	832,671
Loss from operations	(1,025,157)	(832,671)
Equity losses in joint ventures	(260,603)	(648,779)
Other income	--	--
Interest income	120,317	198,165
Interest expense	(16,728)	(11,221)
Net loss	(1,182,171)	(1,294,506)
Preferred stock dividends	(370,608)	(342,747)
Net loss available to common stockholders	$(1,552,779)	$(1,637,253)
Basic and diluted net loss per share available to common stockholders	$ (0.12)	$ (0.13)
Basic and diluted weighted average common shares outstanding	12,741,858	12,488,842

See accompanying condensed notes to financial statements.

ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,		CUMULATI FEBRUARY (INCEPT
	2001	2000	JUNE 3
NET CASH USED IN OPERATING ACTIVITIES	$(1,279,328)	$(1,319,747)	$(20,
INVESTING ACTIVITIES:			
Patent issuance cost	(30,201)	(33,454)	(
Investment in joint ventures	(577,661)	(964,064)	(20,
Organizational costs incurred	--	--	
Purchases of leasehold improvements	(7,098)	--	(
Purchases of office and lab equipment	(87,893)	(52,236)	(1,
Proceeds from assets sold	--	--	
Purchases of marketable securities--available for sale	(3,973,724)	(3,456,799)	(14,
Proceeds from sale of marketable securities--available for sale	5,988,708	3,000,000	15,
Prepaid acquisition cost	(1,004,608)	--	(1,
NET CASH USED IN INVESTING ACTIVITIES	307,523	(1,506,553)	(24,
FINANCING ACTIVITIES:			

Net proceeds from issuance of common stock.....	--	7,797,238	37,
Net proceeds from issuance of preferred stock.....	--	--	16,
Proceeds from exercise of options.....	--	215,888	
Proceeds from borrowings under line of credit.....	--	45,621	1,
Repayment of borrowings under line of credit.....	(50,785)	(57,971)	(
Repayment of long-term note receivable.....	--	--	
Repayment of note payable issued in exchange for legal service.....	--		
Purchase and retirement of common stock.....	--	--	(
Purchase of treasury stock.....	--	--	(
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES.....	(50,785)	8,000,776	54,
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS.....	(1,022,590)	5,174,476	9,
CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD.....	10,831,266	4,995,906	
CASH AND CASH EQUIVALENTS--END OF PERIOD.....	$ 9,808,676	$10,170,382	$ 9,
SUPPLEMENTAL DISCLOSURE OF CASH FLOW:			
Cash paid for interest.....	$ 27,321	$ 23,020	$
NON-CASH TRANSACTIONS			
Issuance of common stock dividends in kind.....	$ --	--	$ 1,
Issuance of preferred stock dividends in kind.....	737,142	687,378	(4,

The accompanying notes are an integral part of the consolidated financial statements

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ENDOREX CORPORATION
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED NOTES TO FINANCIAL STATEMENTS

We prepared these unaudited interim consolidated financial statements under the rules and regulations for reporting on Form 10-QSB. Accordingly, we omitted some information and footnote disclosures normally accompanying the annual financial statements. You should read these interim financial statements and notes in conjunction with the consolidated financial statements and their notes included in our latest annual report on Form 10-KSB, as amended. It is our opinion that the consolidated financial statements include all adjustments necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods. All adjustments were of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of the results for the full fiscal year.

NET LOSS PER SHARE

Net loss per share is presented on the Consolidated Statements of Operations in accordance with SFAS No. 128 for the current and prior periods. Endorex had a net loss for all periods being presented, which resulted in diluted and basic earnings per share being the same for all periods presented. The potential impact of warrants and stock options outstanding was not included in the calculation because their inclusion would have been anti-dilutive.

JOINT VENTURE ESTIMATES

The preparation of the quarterly consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts related to the activities of InnoVaccines Corporation, or InnoVaccines and Endorex Newco, Ltd., or Newco, our joint ventures with Elan Corporation, plc, or

"Elan", including the reported net liabilities related to the joint ventures and the reported amounts of equity in losses from joint ventures. Actual results could differ from those estimates.

UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR UNCONSOLIDATED JOINT VENTURES

Condensed, unaudited financial statement information of the joint ventures is stated below. The joint ventures had no revenues. Net expenses equaled the net loss for all periods.

For the six months ended

	JUNE 30,	
	2001	2000
InnoVaccines, net of Endorex mark up on billings to InnoVaccines	$(482,202)	$(2,077,843)
Newco, net of Endorex mark up on billings to Newco	(230,825)	(131,496)
Total net loss	$(713,027)	$(2,209,339)
Reconciliation to equity in losses from joint ventures:		
Total joint venture net losses	$(713,027)	$(2,209,339)
Less: Elan minority interest	135,366	630,454
Equity in losses from joint ventures	$(577,661)	$(1,578,885)

CORPORATE TECHNOLOGY DEVELOPMENT, INC.
AND SUBSIDIARIES
(FORMERLY INSTITUTE FOR DRUG RESEARCH, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Corporate Technology Development, Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Corporate Technology Development, Inc. and subsidiaries (a development stage company) as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years then ended and for the period from January 1, 1998 (commencement of operations) through December 31, 2000. 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 did not audit the 1998 financial statements of Institute for Drug Research, Limited ("IDRL"), a foreign subsidiary which is accounted for as a discontinued operation. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included

for IDRL, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and with respect to the period from January 1, 1998 through December 31, 2000, the report of the other auditors, the financial statements enumerated above present fairly, in all material respects, the consolidated financial position of Corporate Technology Development, Inc. and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the years then ended and for the period from January 1, 1998 (commencement of operations) through December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ Richard A. Eisner & Company, LLP

New York, New York
March 9, 2001

With respect to Note I[2]
July 31, 2001

CORPORATE TECHNOLOGY DEVELOPMENT, INC. AND SUBSIDIARIES
(FORMERLY INSTITUTE FOR DRUG RESEARCH, INC.)
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2001	DECEMBER 31, 2000	DECEMBER 31, 1999
	(UNAUDITED)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 5,072,000	$ 6,508,000	$ 8,904,000
Prepaid expenses and other current assets	1,000	20,000	
Total current assets	5,073,000	6,528,000	8,904,000
Office equipment, net	13,000	9,000	10,000
Licenses	116,000	108,000	103,000
Other assets	3,000		
	$ 5,205,000	$ 6,645,000	$ 9,017,000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	$ 242,000	$ 279,000	$ 577,000

Commitments			
Stockholders' equity:			
Preferred stock--$.001 par value; authorized 10,000,000 shares; issued and outstanding 7,628,750 shares (liquidation preference including dividends in arrears $45,773,000 at June 30, 2001 and $38,144,000 at December 31, 2000).....	8,000	8,000	8,000
Common stock--$.001 par value; authorized 25,000,000 shares; issued and outstanding 5,000,000 shares...	5,000	5,000	5,000
Additional paid-in capital.....	13,971,000	13,971,000	14,015,000
Deficit accumulated during the development stage....	(8,955,000)	(7,524,000)	(5,274,000)
Subscription receivable.....			(3,000)
Unearned compensation.....	(66,000)	(94,000)	(311,000)
	4,963,000	6,366,000	8,440,000
	$ 5,205,000	$ 6,645,000	$ 9,017,000

See notes to financial statements

CORPORATE TECHNOLOGY DEVELOPMENT, INC. AND SUBSIDIARIES
(FORMERLY INSTITUTE FOR DRUG RESEARCH, INC.)
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS ENDED JUNE 31,		PERIOD FROM JANUARY 1, 1998 (COMMENCEMENT OF OPERATIONS) THROUGH JUNE 30,	YEAR ENDED DECEMBER 31,	
	2001	2000	2001	2000	1999
	(UNAUDITED)		(UNAUDITED)		
Interest income.....	$ 173,000	$ 230,000	$ 982,000	$ 428,000	$ 167,000
Expenses:					
Research and development.....	880,000	558,000	3,255,000	1,324,000	955,000
General and administrative....	724,000	607,000	4,597,000	1,354,000	1,528,000
License fee written off.....			1,822,000		1,822,000
	1,604,000	1,165,000	9,674,000	2,678,000	4,305,000
	(1,431,000)	(935,000)	(8,692,000)	(2,250,000)	(4,138,000)
Gain on sale of license.....			3,052,000		3,052,000
Loss before minority					

interest and discontinued operations.....	(1,431,000)	(935,000)	(5,640,000)	(2,250,000)	(1,086,000)
Minority interest in net income of subsidiary.....			(298,000)		(298,000)
Loss from continuing operations.....	(1,431,000)	(935,000)	(5,938,000)	(2,250,000)	(1,384,000)
Loss from operations of discontinued subsidiary.....			(7,973,000)		(4,852,000)
Gain on sale of discontinued subsidiary.....			4,956,000		4,956,000
Net loss.....	$(1,431,000)	$ (935,000)	$(8,955,000)	$(2,250,000)	$(1,280,000)

See notes to financial statements

CORPORATE TECHNOLOGY DEVELOPMENT, INC. AND SUBSIDIARIES
(FORMERLY INSTITUTE FOR DRUG RESEARCH, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	AC
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	
Sale of common shares to founders at $.001 per share.....			5,150,000	$5,000		
Issuance of private placement units at $2.00 per share, net offering expenses of $2,108,000.....	7,628,750	$8,000			$13,142,000	
Compensatory stock options granted.....					645,000	
Compensation expense recognized.....						
Net loss.....						$(
Translation adjustment.....						
BALANCE AT DECEMBER 31, 1998.....	7,628,750	8,000	5,150,000	5,000	13,787,000	(3
Subscriptions collected.....						
Compensatory stock options granted.....					228,000	
Compensation expense recognized.....						
Net loss.....						(1
Translation adjustment realized upon sale of subsidiary.....						
BALANCE AT DECEMBER 31, 1999.....	7,628,750	8,000	5,150,000	5,000	14,015,000	(5
Subscribed common shares cancelled.....			(150,000)			
Subscriptions collected.....						

Compensatory stock options cancelled					(82,000)	
Compensatory stock options granted					38,000	
Compensation expense recognized						
Net loss						(2
BALANCE AT DECEMBER 31, 2000	7,628,750	8,000	5,000,000	5,000	13,971,000	(7
Net loss (unaudited)						(1
Compensation expense recognized (unaudited)						
BALANCE AT JUNE 30, 2001 (UNAUDITED)	7,628,750	$8,000	5,000,000	$5,000	$13,971,000	$(

	UNEARNED COMPENSATION	COMPREHENSIVE (LOSS)	OTHER COMPREHENSIVE LOSS	TOTAL
Sale of common shares to founders at $.001 per share				$ 0
Issuance of private placement units at $2.00 per share, net offering expenses of $2,108,000				13,150,000
Compensatory stock options granted	$(645,000)			0
Compensation expense recognized	295,000			295,000
Net loss		$(3,994,000)		(3,994,000)
Translation adjustment		(153,000)	$(153,000)	(153,000)
		$(4,147,000)		
BALANCE AT DECEMBER 31, 1998	(350,000)		(153,000)	9,298,000
Subscriptions collected				2,000
Compensatory stock options granted	(228,000)			0
Compensation expense recognized	267,000			267,000
Net loss		(1,280,000)		(1,280,000)
Translation adjustment realized upon sale of subsidiary		153,000	153,000	153,000
		$(1,127,000)		
BALANCE AT DECEMBER 31, 1999	(311,000)		0	8,440,000
Subscribed common shares cancelled				
Subscriptions collected				3,000
Compensatory stock options cancelled	82,000			0
Compensatory stock options granted	(38,000)			0
Compensation expense recognized	173,000			173,000
Net loss				(2,250,000)

BALANCE AT DECEMBER 31, 2000.....	(94,000)		0	6,366,000
Net loss (unaudited).....				(1,431,000)
Compensation expense recognized (unaudited).....	28,000			28,000
BALANCE AT JUNE 30, 2001 (UNAUDITED).....	$ (66,000)		$ 0	$ 4,963,000

See notes to financial statements

CORPORATE TECHNOLOGY DEVELOPMENT, INC. AND SUBSIDIARIES
(FORMERLY INSTITUTE FOR DRUG RESEARCH, INC.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30,		PERIOD FROM JANUARY 1, 1998 (COMMENCEMENT OF OPERATIONS) THROUGH	YEAR DECEMB
	2001	2000	JUNE 30, 2001	2000
	(UNAUDITED)		(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss.....	$(1,431,000)	$ (935,000)	$(8,955,000)	$(2,250,000)
Add loss from operations of discontinued subsidiary.....			7,973,000	
Less gain on sale of discontinued subsidiary.....			(4,956,000)	
Loss from continuing operations...	(1,431,000)	(935,000)	(5,938,000)	(2,250,000)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:				
Gain on sale of license.....			(3,052,000)	
Minority interest in net income of subsidiary.....			298,000	
License fee written-off.....			1,822,000	
Depreciation and amortization...	7,000	6,000	171,000	11,000
Compensation expense recognized from stock options.....	28,000	11,000	763,000	173,000
Changes in:				
Prepaid expenses and other current assets.....	19,000		(1,000)	(20,000)
Other assets.....	(3,000)		(3,000)	
Accounts payable and accrued expenses.....	(37,000)	(232,000)	242,000	(298,000)
Net cash used in operating activities.....	(1,417,000)	(1,150,000)	(5,698,000)	(2,384,000)
CASH FLOWS FROM INVESTING				

ACTIVITIES:				
Acquisition of office equipment...	(5,000)		(19,000)	
Acquisition of license.....	(14,000)		(2,228,000)	(15,000)
Advances to unconsolidated subsidiary.....			(3,240,000)	
Collection of advances to subsidiary.....			3,240,000	
Proceeds from sale of interest in subsidiary.....			2,510,000	
Investment in subsidiary.....			(5,527,000)	
Proceeds from sale of license.....			3,177,000	
Distribution to minority stockholders.....			(298,000)	
Net cash (used in) provided by investing activities...	(19,000)		(2,385,000)	(15,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from subscriptions of common stock.....		3,000	5,000	3,000
Proceeds from private placement offering.....			15,258,000	
Private placement offering costs.....			(2,108,000)	
Net cash provided by financing activities.....		3,000	13,155,000	3,000
NET (DECREASE) INCREASE IN CASH.....	(1,436,000)	(1,147,000)	5,072,000	(2,396,000)
Cash--beginning of year.....	6,508,000	8,904,000		8,904,000
CASH--END OF YEAR.....	$ 5,072,000	$ 7,757,000	$ 5,072,000	$ 6,508,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid for income taxes.....	$ --	$ 28,000	$ 87,000	$ 28,000
Noncash investing activity:				
Amount payable for acquisition of license.....				

See notes to financial statements

CORPORATE TECHNOLOGY DEVELOPMENT, INC. AND SUBSIDIARIES
(FORMERLY INSTITUTE FOR DRUG RESEARCH, INC.)
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

(UNAUDITED WITH RESPECT TO JUNE 30, 2001)

NOTE A--THE COMPANY AND BASIS OF PRESENTATION

Institute for Drug Research, Inc. (the "Company") was incorporated in Delaware on December 12, 1997 and commenced operations on January 1, 1998. The Company was formed to license and develop pharmaceutical products to treat a variety of human diseases. In November 1999, the Company changed its name to

Corporate Technology Development, Inc.

On December 31, 1998, the Company entered into an option agreement with Paramount Capital Investments, LLC ("Paramount"), an affiliate of one of the Company's stockholders, whereby Paramount granted to the Company an option to purchase all of Paramount's rights and interests in all of the capital stock of the following companies which were owned by Paramount:

	% OF STOCK PREVIOUSLY OWNED BY PARAMOUNT
Neuropath, Inc.	93.00%
RxEyes, Inc.	82.02%
Intero Corp. (formerly Synergy Therapeutics, Inc.)	86.75%
Enteron Pharmaceuticals, Inc.	80.43%
Oral Solutions, Inc.	80.00%

The option was exercised in January 1999 by the Company by payment of $162,000 and the assumption by the Company of liabilities in an aggregate amount of $107,000.

The Company's subsidiaries and percentages of ownership are as follows:

Enteron Pharmaceuticals, Inc.	80.43%
Magyar Pharmaceuticals, Inc. ("MPI")*	90.00%
RxEyes Inc.	82.02%
Oral Solutions, Inc.	80.00%
Neuropath, Inc.*	93.00%
Iophthalmics, Inc.*	100.00%
CTD Drug Design Incorporated*	100.00%
Institute for Drug Research, Limited ("IDRL") (sold in October 1999 (see Note C[1]))	87.50%
Intero Corp. (sold in December 1999 (see Note C[2]))	85.00%
Formulation Technologies, Inc. (formed in February 2001)	100.00%

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* These companies were dissolved on September 20, 2000.

IDRL is a limited liability company registered under the laws of the Republic of Hungary; its activities centered on original drug research, contract research activity and generic drug development (see Note C[1] with respect to its disposition).

NOTE A--THE COMPANY AND BASIS OF PRESENTATION (CONTINUED)

The accompanying financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated. Results of operations of entities sold or dissolved are included to the dates of their disposition.

As reflected in the accompanying financial statements, since inception, the Company has incurred substantial losses from operations. As a result of the start-up nature of its business, the Company can expect to continue incurring substantial operating losses for at least the next several years and significant additional financing will be required. Continuation of the Company is dependent on its ability to obtain additional financing and, ultimately, on its ability to achieve profitable operations. There is no assurance however, that such financing will be available or that the Company's efforts will ultimately be successful.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] CASH AND CASH EQUIVALENTS:

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

[2] OFFICE EQUIPMENT:

Office equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (five years).

[3] LICENSES:

Licenses are being amortized on a straight-line basis over their remaining terms.

[4] RESEARCH AND DEVELOPMENT:

Research and development costs are charged to operations as incurred.

[5] USE OF ESTIMATES:

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

[6] LONG-LIVED ASSETS:

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," the Company intends to record impairment losses on long-lived assets used in operations, including intangible assets, when events and circumstances indicate that the assets might be impaired. No such losses have been recorded.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(UNAUDITED WITH RESPECT TO JUNE 30, 2001)

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] STOCK-BASED COMPENSATION:

The Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of employee stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25") but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its employee stock option incentive plans. See Note F to the financial statements for further information.

[8] INTERIM FINANCIAL STATEMENTS:

The accompanying financial statements as of June 30, 2001 and for the six months ended June 30, 2001 and 2000 and the period from January 1, 1998 (commencement of operations) to June 30, 2001 are unaudited. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items), which are considered necessary for a fair presentation of the consolidated financial position of the Company at June 30, 2001, and the consolidated results of its operations, and cash flows for such periods. The results of operations for the six-month period ended June 30, 2001 are not necessarily indicative of the operating results for the full year.

NOTE C--ACQUISITIONS AND DISPOSITIONS

[1] INSTITUTE FOR DRUG RESEARCH, LIMITED:

On February 23, 1998, the Company purchased an 83 1/3% interest from existing quotaholders of IDRL for $3,500,000 cash. Immediately following the purchase of the quotas, the Company contributed $1,400,000 to IDRL, thereby increasing its interest in IDRL to 87.5%. In addition, the Company incurred acquisition costs of $505,000. The excess ($3,567,000) of cost over the value of identifiable net assets acquired was being accounted for as goodwill which was being amortized over 15 years. As of December 31, 1998, the Company had loaned IDRL $1,054,000.

On October 12, 1999, the Company sold its 87.5% interest in IDRL to third parties for $2,510,000 cash. The buyers also repaid the interest-bearing debt of IDRL to the Company which, as of October 12, 1999, aggregated $3,240,000. IDRL was accounted for as a discontinued operation in the accompanying 1999 statement of operations as the Company plans to discontinue the types of activities carried on by IDRL. Results of operations of IDRL through the date of sale is reflected in the Company's 1999 statement of operations as loss from operations of discontinued subsidiary.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

(UNAUDITED WITH RESPECT TO JUNE 30, 2001)

NOTE C--ACQUISITIONS AND DISPOSITIONS (CONTINUED)

The condensed statement of income (loss) of IDRL is presented below.

	YEAR ENDED DECEMBER 31, 1999
Net sales	$ 1,002,000
Costs and expenses	(2,743,000)
Minority interest share in losses	218,000
Write-off of goodwill	(3,329,000)
Loss from operations of discontinued subsidiary	$(4,852,000)

[2] SALE OF ASSETS OF INTERO CORP.:

In December 1999, the Company sold substantially all of the assets of its 86.75% owned subsidiary, Intero Corp., which was formed in February 1999. The Company received $3,500,000 for the assets which consisted principally of Intero's rights to various consulting agreements, scientific advisory board agreement and a license agreement with the Johns Hopkins University for which the Company paid approximately $125,000 in February 1999. The Company recorded a gain of $3,052,000 on the sale. The Company may also receive a maximum of $3,000,000 upon the approval by the Food and Drug Administration of the various treatments discussed in the licensed agreement.

NOTE D--SUBLICENSE AGREEMENT

[1] MPI:

On December 31, 1998, MPI entered into a sublicense agreement with Precision Pharmaceuticals, Inc. ("Precision"). Precision is an exclusive licensee, with a right to grant sublicenses, of the University of Florida Research Foundation, Inc. ("UFRF") and of Nicholas Bodor ("Bodor"), a former director of the Company, under license agreements dated October 31, 1997 as amended. Pursuant to the sublicense agreement, Precision granted MPI an exclusive worldwide sublicense of all of its rights and interest in the licensed patents and know-how as defined in the license agreements to make, use and sell licensed products and to use licensed processes in exchange for license fees paid by MPI of $750,000 and milestone payments aggregating $1,100,000. The agreement also provides for the payment by MPI of royalties of (a) 6.25% of gross selling price for licensed products or licensed processes that are covered by one or more licensed patents, and (b) 4.25% of the selling price of licensed products or licensed processes which are not covered by one or more licensed patents but which include or are derived from the know-how. In connection therewith, the Company incurred costs of approximately $114,000 which it included in cost of the license. In April 1999 and April 2000, the sublicense agreements with UFRF and Bodor, respectively, were terminated and Bodor's shares of the Company's common stock were cancelled. As a result, the Company wrote off the unamortized

balance of the license fee amounting to $1,822,000 as of December 31, 1999.

NOTE D--SUBLICENSE AGREEMENT (CONTINUED)

[2] RXEYES, INC.:

On April 14, 1998, RxEyes, Inc. ("RxEyes") entered into a license agreement with Neil F. Martin, M.D., Howard N. Robinson, M.D., Marvin S. Towsend, Esquire and Leonard Bloom, Esquire (collectively the "Licensor"). Pursuant to the license agreement, Licensor granted RxEyes an exclusive license in the licensed patents and know-how as defined in the license agreement to make, use and sell licensed products and to use licensed processes in exchange for license fees of $50,000 and milestone payments aggregating $750,000. The agreement also provides for the payment of royalties of 6% of selling price for licensed products or licensed processes that are covered by one or more licensed patents. In connection therewith, the Company incurred costs of approximately $33,000 which are included in the cost of the license.

On February 26, 2001, RxEyes received a notice of termination of the license agreement from the Licensor alleging nonpayment by RxEyes of a $200,000 penalty payment. RxEyes maintains that it is not required to make such payment.

[3] ENTERON PHARMACEUTICALS, INC.:

On November 24, 1998, Enteron Pharmaceuticals, Inc. ("Enteron") entered into a license agreement with George B. McDonald, M.D. ("Licensor"). Pursuant to the license agreement, Licensor granted Enteron an exclusive license in the licensed patents and know-how as defined in the license agreement to make, use and sell licensed products and to use licensed processes in exchange for license fees of $20,000 and milestone payment of $300,000. The agreement also provides for the payment of royalties of 6% to 8% of net selling price, as defined, for licensed products or licensed processes that are covered by one or more licensed patents and 25% to 33% of sublicense fees, as defined, received from third parties for the right to practice the licensed processes. In connection therewith, the Company incurred costs of approximately $7,000 which are included in cost of the license. On March 5, 2001, Enteron and the Licensor amended the license agreement whereby the milestone payment of $300,000 was increased to $400,000.

[4] ORAL SOLUTIONS, INC.:

On June 8, 1999, Oral Solutions, Inc. ("OSI") entered into a license agreements with Joel B. Epstein, D.M.D. ("Licensor"). Pursuant to the license agreement, Licensor granted OSI an exclusive license with the right to grant sublicenses under the licensed patents and know-how as defined in the license agreement to make, use and sell licensed products and to use licensed processes. The agreement also provides for the payment of 2% of royalties received by OSI from the sales by any sublicensee of the licensed

products.

NOTE E--STOCKHOLDERS' EQUITY

[1] PRIVATE PLACEMENT:

In May and July 1998, pursuant to a private placement offering, the Company sold 152.575 units, each unit consisting of 50,000 shares of Series A Convertible Preferred Stock of the Company at a price per unit of $100,000 ($2.00 per preferred share). Pursuant to the terms of the offering, the holders of each share of Preferred Stock are entitled to (a) convert the preferred share to common stock on a share-for-share basis subject to adjustments for changes in capital stock, (b) vote on an as converted basis, (c) receive cumulative dividends when as and if declared by the Board of Directors as follows: (1) two dollars ($2.00) per share effective the first day following the final closing date and (2) effective on the date that is eighteen (18) months from the final closing date, and every twelve (12) months thereafter, a one dollar ($1.00) dividend per share, and (d) a liquidation preference of $2.00 per share plus any dividends accrued and unpaid. The Series A Convertible Preferred Stock is redeemable at the option of the Company in whole, but not in part, upon not less than 30 days nor more than 60 days written notice, at a price equal to the liquidation amount. Net proceeds from the private placement approximated $13,150,000. Dividends in arrears as of December 31, 2000 aggregated $22,886,000. In January 2001, additional dividends aggregating $7,629,000 accrued.

The placement agent for the offering received approximately $1,998,000 in cash plus warrants which, pursuant to the Placement Agency Agreement give the holders thereof the right to acquire 762,875 shares of Series A Convertible Preferred Stock of the Company at a price of $2.20 per share through January 15, 2009. The warrants contain certain anti-dilution provisions and may be exercised on a "cashless exercise" basis pursuant to a provision that does not require the payment of any cash to the Company.

[2] COMMON SHARES RESERVED FOR ISSUANCE:

The Company has reserved shares of common stock for issuance upon conversion of preferred stock and exercise of options as follows:

(i)	Series A Convertible Preferred Stock	7,628,750
(ii)	Placement agent warrants conversion of preferred stock	762,875
(iii)	Stock options	1,322,725

NOTE F--STOCK OPTIONS

The Company applies APB No. 25 in accounting for stock options granted, which requires recognition of employee compensation expense for the difference

between the fair value of the underlying common stock and the exercise price of the option at the grant date. The effect of applying SFAS No. 123 on pro forma net income (loss) is not necessarily representative of the effects on reported net income (loss) for future years due to, among other things, (1) the vesting period of stock options and the (2) fair value of additional stock options in future years. Had the compensation expense been determined based upon the fair value at the grant date, as prescribed under SFAS

NOTE F--STOCK OPTIONS (CONTINUED)
No. 123, the Company's pro forma net loss for the years ended December 31, 2000 and 1999 would have been approximately $2,525,000 and $1,600,000, respectively.

The weighted average fair value of the options granted during 2000 and 1999 is estimated to be $0.45 and $0.66, respectively. The fair value of the options on the grant date was computed using the Black-Scholes option-pricing model. The following assumptions were used for this valuation: dividend yield of 0%, volatility of 80%, risk free interest rate of 5.65% and expected life of options of 5 years.

		DECEMBER 31,			
	JUNE 30, 2001	2000		1999	
	SHARES	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED EXERCISE
Outstanding, beginning of year	1,322,725	1,372,725	$0.20	1,172,725	$0.2
Granted during the year		154,545	0.20	450,000	0.2
Cancelled during the year		(204,545)	0.20	(250,000)	
Outstanding, end of year	1,322,725	1,322,725	0.20	1,372,725	0.2
Exercisable, end of year	1,146,464	1,146,464	0.20	776,389	0.2

The following table summarizes stock option information as of December 31, 2000:

	OPTIONS OUTSTANDING		
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS EXERCISABLE

$0.20	100,000	2.67	83,334
0.20	772,725	2.92	729,796
0.20	50,000	3.00	33,334
0.20	400,000	3.50	300,000
	1,322,725	3.00	1,146,464

NOTE G--COMMITMENTS

[1] The Company has an employment agreement with its Chief Executive Officer which expires June 2001. The agreement provides for, (1) annual compensation of $198,000 (reduced to $100,000 effective October 25, 2000) plus bonuses to be determined at the sole discretion of the Board of Directors, and (2) the grant of options to purchase 772,725 shares of common stock of the Company at a purchase price of $0.20 per share (including "cashless exercise" feature, as defined which may result in a charge to operations which may be material), for a period of five years, which vested 193,181 shares on December 1, 1998 and the remainder, quarterly in advance over nine quarterly periods beginning February 1, 1999, provided that the CEO is still employed by the

NOTE G--COMMITMENTS (CONTINUED)

Company. The options, which were valued at $406,000, were recorded as unearned compensation. For the years ended December 31, 2000 and 1999, the Company recorded compensation expense of approximately $56,000 and $135,000, respectively, in connection with the options issued.

On November 25, 2000, the Company and the Chief Executive Officer agreed to cancel fully exercisable stock options to purchase 154,545 shares of common stock of the Company granted to the Chief Executive Officer in December 1998. The cancelled stock options, at the request of the Chief Executive Officer, were reissued to three employees of the Company.

[2] The Company has an employment agreement with its Director of Corporate Development for a term expiring June 2002. The agreement provides for, (1) annual compensation of $60,000 plus bonuses to be determined at the sole discretion of the Board of Directors, and (2) the grant of options to purchase 400,000 shares of common stock of the Company at a purchase price of $0.20 per share (including "cashless exercise" feature, as defined which may result in a charge to operations which may be material), for a period of five years, which vested 100,000 shares on October 1, 1998 and the remainder vesting annually in advance in equal installments, provided that the officer is still employed by the Company. The options, which were valued at $228,000, were recorded as unearned compensation. For the year ended December 31, 2000 and 1999, the Company recorded compensation expense of approximately $57,000 and $71,000, respectively, in connection with the options issued.

NOTE H--INCOME TAXES

At December 31, 2000, the Company has available for Federal income tax purposes a net consolidated operating loss carryforward of approximately $2,400,000, which will expire in 2018 through 2020. In addition, the Company has incurred an operating loss of $1,431,000 for the period January 1, 2001 through June 30, 2001. The Company also has a $3,017,000 capital loss carryforward which expires in 2004, an orphan drug credit of $611,000 expiring through 2020 and research and development credits of $47,000 expiring through 2020. The Company's ability to utilize these carryforwards may be subject to annual limitations pursuant to Section 382 of the Internal Revenue Code if future changes in ownership occur.

NOTE H--INCOME TAXES (CONTINUED)

The Company's deferred tax assets are attributable to the following:

	JUNE 30, 2001	DECEMBER 31, 2000	DECEMBER 31, 1999
Net operating loss carryforward	$ 1,450,000	$ 950,000	$ 639,000
Capital loss carryforward	1,388,000	1,388,000	1,388,000
Orphan drug and research and development credits	658,000	658,000	
	3,496,000	2,996,000	2,027,000
Valuation allowance	(3,496,000)	(2,996,000)	(2,027,000)
Net	$ 0	$ 0	$ 0

The Company has provided a valuation allowance against the full amount of the deferred tax asset