

Working Capital Statement

EpiCept does not have sufficient working capital for the next 12 month period upon completion of the proposed merger to meet its current business plan. On November 15, 2005, the Company completed a private placement of \$2.0 million aggregate principal amount of 8% Senior Notes to provide additional working capital. Upon the closing of the proposed merger, the Senior Notes will convert into approximately 0.7 million shares of common stock. EpiCept believes that its existing cash resources, cash available upon completion of the proposed merger, anticipated future payments from EpiCept's strategic partners, future sales of New Jersey net operating loss carry forwards and interest earned on cash balances and investments will be sufficient to meet the Company's projected operating requirements through the third quarter of 2006 (as stated in the Report on Form 10 Q for the quarter ended September 30, 2005). Funding needs to meet the current business plan approximate \$5 million per quarter. In order to continue its operations beyond the third quarter of 2006, the Company may explore a variety of alternative funding strategies, among them:

- licensing of commercial rights related to certain of its proprietary drug candidates that may result in upfront and milestone payments as well as royalties upon receipt of necessary marketing approvals;
- raising additional funds through public or private financings of debt or equity;
- reducing research and development expenses by delaying, discontinuing or reducing its development of one or more product candidates.

EpiCept's future capital uses and requirements depend on numerous forward-looking factors. These factors include, but are not limited to, the following:

- progress in EpiCept's research and development programs, as well as the magnitude of these programs;
- the timing, receipt and amount of milestone and other payments, if any, from present and future collaborators, if any;
- its ability to establish and maintain additional collaborative arrangements;
- the resources, time and costs required to successfully initiate and complete our preclinical and clinical trials, obtain regulatory approvals and protect its intellectual property;
- the cost of preparing, filing, prosecuting, maintaining and enforcing patent claims; and
- the timing, receipt and amount of sales and royalties, if any, from its potential products.

There can be no assurance that the funding, if needed, will be available on attractive terms, or at all. Furthermore, any additional equity financing may be dilutive to stockholders and debt financing, if available, may involve restrictive covenants and increased interest expense. Similarly, financing obtained through future co-development arrangements may require EpiCept to forego certain commercial rights to future drug

Exhibit E

candidates. EpiCept's failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategy.