

ADVENTRX PHARMACEUTICALS INC

Form 424B5

August 05, 2009

**Table of Contents****PROSPECTUS SUPPLEMENT NO. 3**

(To Prospectus dated June 4, 2009)

**Filed pursuant to Rule 424(b)(5)  
Registration Statement No. 333-159376****ADVENTRX Pharmaceuticals, Inc.****922 Shares of 5% Series C Convertible Preferred Stock****7,092,307 Shares of Common Stock Underlying the Preferred Stock**

We are offering 922 shares of our 5% Series C convertible preferred stock, \$0.001 par value per share, to purchasers in this offering. We are also offering an aggregate of 7,092,307 shares of our common stock issuable upon conversion of the convertible preferred stock. Subject to certain ownership limitations, the convertible preferred stock is convertible at any time at the option of the holder into shares of our common stock at a conversion price of \$0.13 per share and will accrue a 5% cumulative dividend until February 10, 2012. In the event that the convertible preferred stock is converted at any time prior to February 10, 2012, we will pay the holder of such converted convertible preferred stock an amount equal to the total dividend that would accrue on the preferred stock from the conversion date through February 10, 2012, or \$125 per \$1000 of stated value of convertible preferred stock, less any dividend payments made with respect to the converted convertible preferred stock. Each share of convertible preferred stock will be sold at a negotiated price of \$1,000.

We will place 12.5%, or approximately \$115,250, of the gross proceeds in an escrow account, which account will be released to make such dividend and make-whole payments.

Our common stock is listed on the NYSE Amex (formerly, the American Stock Exchange) under the symbol ANX. The last reported sale price of our common stock on August 4, 2009, 2009 was \$0.13 per share. We do not intend to list the preferred stock on any national securities exchange.

The aggregate market value of our outstanding common stock held by non-affiliates was approximately \$24,004,269, based on 117,792,960 shares of common stock outstanding as of August 4, 2009, 2009, of which 8,682,648 shares are held by affiliates, and a price of \$0.22 per share, which was the last reported sale price of our common stock as quoted on the NYSE Amex on June 11, 2009. We have offered securities with an aggregate market value of approximately \$8,000,241, consisting of the 7,092,307 shares of our common stock issuable upon conversion of the convertible preferred stock we are offering hereby, and the offer and sale of 26,152,489 shares of our common stock issuable upon conversion of convertible preferred stock and exercise of warrants that we issued in our offering that closed on June 12, 2009 and 9,504,189 shares of our common stock issuable upon conversion of convertible preferred stock that we issued in our offering that closed on July 6, 2009, pursuant to General Instruction I.B.6. of Form S-3 during the prior 12 calendar month period that ends on, and includes, the date of this prospectus supplement.

**This investment involves a high degree of risk. You should carefully review the risks and uncertainties described under the heading Risk Factors beginning on page S-3 of this prospectus supplement.**

Rodman & Renshaw, LLC is acting as our placement agent in connection with this offering. The placement agent is not purchasing or selling any of these securities nor is it required to sell any specific number or dollar amount of securities, but has agreed to use its reasonable best efforts to sell the securities offered by this prospectus supplement. In consideration for its services, we have agreed to pay the placement agent the cash fees set forth in the table below and to issue five-year warrants to the placement agent to purchase up to an aggregate of 354,615 shares of our common stock at an exercise price of \$0.1625 per share. These warrants are not covered by this prospectus supplement.

	Per Share of Convertible Preferred Stock	Maximum Offering
Public offering price	\$ 1,000	\$ 922,000
Placement agent fees	\$ 70	\$ 64,540
Proceeds, before expenses, to ADVENTRX Pharmaceuticals, Inc.	\$ 930	\$ 956,970

We expect delivery of the convertible preferred stock being sold in this offering to be made to purchasers on or about August 10, 2009, against payment of immediately available funds. Because there is no minimum offering amount required as a condition to closing this offering, the actual public offering amount, placement agent fees, and proceeds to us, if any, are not presently determinable and may be substantially less than the maximum amounts set forth above.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**Rodman & Renshaw**

The date of this prospectus supplement is August 5, 2009.

---

**TABLE OF CONTENTS**

<b>Prospectus Supplement</b>	<b>Page</b>
<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	S-ii
<u>SUMMARY</u>	S-1
<u>RISK FACTORS</u>	S-3
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	S-23
<u>USE OF PROCEEDS</u>	S-24
<u>DIVIDEND POLICY</u>	S-25
<u>DILUTION</u>	S-26
<u>DESCRIPTION OF SECURITIES WE ARE OFFERING</u>	S-28
<u>PLAN OF DISTRIBUTION</u>	S-28
<u>LEGAL MATTERS</u>	S-31
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	S-31
<u>INCORPORATION OF CERTAIN INFORMATION BY REFERENCE</u>	S-31

<b>Prospectus</b>	<b>Page</b>
ABOUT THIS PROSPECTUS	ii
SUMMARY	1
RISK FACTORS	4
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	26
USE OF PROCEEDS	27
DESCRIPTION OF COMMON STOCK AND PREFERRED STOCK	28
DESCRIPTION OF DEBT SECURITIES	31
DESCRIPTION OF WARRANTS	40
DESCRIPTION OF UNITS	41
PLAN OF DISTRIBUTION	43
LEGAL MATTERS	45
EXPERTS	45
WHERE YOU CAN FIND ADDITIONAL INFORMATION	45
INCORPORATION OF CERTAIN INFORMATION BY REFERENCE	45

**Table of Contents**

**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement and the accompanying prospectus are part of a shelf registration statement on Form S-3 (No. 333-159376) that we filed with the Securities and Exchange Commission, or the SEC. This prospectus supplement describes the specific terms of this offering. The accompanying prospectus, including the documents incorporated by reference, provides general information about us, some of which, such as the section therein entitled Plan of Distribution, may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document, this prospectus supplement and the accompanying prospectus, combined.

We urge you to carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein, before buying any of the securities being offered under this prospectus supplement. These documents contain information you should consider when making your investment decision.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the placement agent has not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement may add, update or change information contained in the accompanying prospectus. To the extent any information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the information in this prospectus supplement. The information in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and the documents incorporated by reference therein, except for those documents incorporated by reference therein which we file with the SEC after the date hereof.

You should not assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front cover of this prospectus supplement and the accompanying prospectus or on any date subsequent to the date of the document incorporated by reference, as applicable. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are offering to sell, and seeking offers to buy, the securities described in this prospectus supplement only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the offering of the securities in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement must inform themselves about, and observe any restrictions relating to, the offering of the securities and the distribution of this prospectus supplement outside the United States. This prospectus supplement does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

We are not making any representation to you regarding the legality of an investment in the convertible preferred stock and underlying common stock by you under applicable law. You should consult with your own legal advisors as to the legal, tax, business, financial and related aspect of a purchase of these securities.

**Table of Contents**

**SUMMARY**

*This summary highlights selected information about us and this offering and does not contain all of the information that you need to consider in making your investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the risks and uncertainties discussed under the heading*

*Risk Factors* beginning on page S-3 of this prospectus supplement, and the information incorporated by reference, including our financial statements, before making an investment decision. When used in this prospectus supplement, the terms *ADVENTRX*, *we*, *us*, *our* and the *Company* refer to *ADVENTRX Pharmaceuticals, Inc.* and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires.

**About ADVENTRX Pharmaceuticals, Inc.**

We are a development-stage biopharmaceutical company whose fundamental business is focused on in-licensing, developing and commercializing proprietary product candidates for the treatment of cancer. We seek to improve the performance and commercial potential of existing treatments by addressing limitations associated principally with their safety and use. We have devoted substantially all of our resources to research and development or to acquisition of our product candidates. We have not yet marketed or sold any products or generated any significant revenue. Our lead product candidates, ANX-530 and ANX-514, are novel emulsion formulations of currently marketed chemotherapy drugs. In March 2009, due to our immediate need to raise additional capital to continue our business, we discontinued substantially all of our development activities and fundamental business operations to conserve cash while we pursued financing alternatives, evaluated strategic options, including the sale or exclusive license of one or more of our product candidate programs, a strategic business merger and other similar transactions, and considered whether to liquidate our assets, wind-up our operations and distribute any remaining cash to our stockholders. Following the offering we completed on June 12, 2009, in which we raised net proceeds of approximately \$1.7 million, we re-started the final manufacturing activities related to submitting a New Drug Application, or NDA, for ANX-530. In addition, we continue to evaluate the data from our recently-completed bioequivalence study of ANX-514 and we plan to seek a meeting with the FDA to discuss the results. However, even if we complete the offering described in this prospectus supplement, we may seek to raise additional capital prior to undertaking all of the remaining activities necessary to submit an NDA for ANX-530 and we may need to raise substantial additional capital to fund our operations, including pre-launch activities, during the regulatory review period, if an ANX-530 NDA is submitted, to conduct launch activities for ANX-530, should an NDA for ANX-530 be approved, and to continue the development of ANX-514.

Our business was incorporated in Delaware in December 1995. In October 2000, we merged our wholly-owned subsidiary, Biokeys Acquisition Corp., with and into Biokeys, Inc. and changed our name to Biokeys Pharmaceuticals, Inc. In May 2003, we merged Biokeys, Inc., our wholly-owned subsidiary, with and into us and changed our name to ADVENTRX Pharmaceuticals, Inc. In July 2004, we formed a wholly-owned subsidiary, ADVENTRX (Europe) Ltd., in the United Kingdom primarily to facilitate conducting clinical trials in the European Union and to obtain favorable pricing for discussions with the European Medicines Agency. In April 2006, we acquired SD Pharmaceuticals, Inc. as a wholly-owned subsidiary. Our executive offices are located at 6725 Mesa Ridge Road, Suite 100, San Diego, California 92121, and our telephone number is (858) 552-0866. Our corporate website is located at [www.adventrx.com](http://www.adventrx.com). We make available free of charge through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website does not constitute part of this prospectus supplement or any other prospectus supplement.

S-1

---

**Table of Contents**

**The Offering**

Convertible preferred stock offered by us:	Up to 922 shares of convertible preferred stock, par value \$0.001 per share. This prospectus supplement also relates to the offering of the shares of common stock issuable upon conversion of the convertible preferred stock.
Common stock to be outstanding after this offering:	117,792,960 shares of common stock, or 124,885,267 shares of common stock if the convertible preferred stock offered hereby is converted and exercised in full.
Make-Whole Payment	In the event that the convertible preferred stock is converted at any time prior to the February 10, 2012 we will pay to the holder of the convertible preferred stock an amount equal to \$125 per \$1,000 of stated value of convertible preferred stock converted, less any dividend payments made with respect to such converted convertible preferred stock.
Escrow	An amount of the proceeds of the offering equal to the aggregate potential make-whole payment will be deposited with Weinstein Smith LLP as paying agent to be held for a period of 30 months from the date of closing. Amounts in the escrow account will be released to pay dividends and any make-whole payments with respect to convertible preferred stock converted during the escrow period.
Use of proceeds:	We currently intend to use the net proceeds from this offering to fund activities necessary to advance ANX-530 toward commercialization in the U.S. and to continue development of ANX-514, and for general corporate purposes. Please see Use of Proceeds below.
NYSE Amex Symbol:	ANX
Risk Factors:	See Risk Factors below for a discussion of factors that you should carefully read and consider before investing in our securities.
The number of shares of our common stock that will be outstanding immediately after the offering is based on 117,792,960 shares outstanding as of August 4, 2009, and excludes:	
5,973,884 shares of common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plans prior to this offering, at a weighted average exercise price of \$0.82 per share;	
11,218,772 shares of common stock available for future issuance under our 2008 Omnibus Incentive Plan;	
20,304,118 shares of common stock issuable upon the exercise of outstanding warrants issued prior to this offering, at a weighted average exercise price of \$1.27 per share;	
354,615 shares of common stock issuable upon exercise of warrants to be issued to the placement agent in connection with this offering, which are not covered by this prospectus supplement, at an exercise price of \$0.1625 per share.	





**Table of Contents**

**RISK FACTORS**

*Investing in our securities involves a high degree of risk. You should carefully consider the risk factors discussed below, together with all the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, and in our filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, before deciding whether to purchase any of the securities being offered by this prospectus supplement. Each of the risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our securities, and the occurrence of any of these risks might cause you to lose all or part of your investment.*

**RISKS RELATED TO OUR BUSINESS**

**Risks Related to Our Financial Performance, Operations and Ability to Continue as a Going Concern**

***We have incurred losses since our inception, we expect our operating expenses to continue to exceed our revenues for the foreseeable future and we may never generate revenues sufficient to achieve profitability.***

We are a development stage company and have not generated sustainable revenues from operations or been profitable since inception, and it is possible we will never achieve profitability. We have devoted our resources to developing a new generation of therapeutic products, but such products cannot be marketed until the regulatory process is completed and governmental approvals have been obtained. Accordingly, there is no current source of revenues from operations, much less profits, to sustain our present activities, and no revenues from operations will likely be available until, and unless, our product candidates are approved by the U.S. Food and Drug Administration, or FDA, or other regulatory agencies and successfully marketed, either by us or a partner, an outcome which we are not able to guarantee.

***Our financial resources are limited, we will require substantial additional funding to continue our operations and pursue our business strategy, and, if we are unable to raise sufficient additional capital, we may cease operating as a going concern and seek protection under the U.S. Bankruptcy Code or liquidate our assets.***

We have experienced significant operating losses in funding the development of our product candidates, accumulating operating losses totaling approximately \$141.7 million as of March 31, 2009, and we expect to continue to incur substantial operating losses for the foreseeable future, even if we or a future partner of ours is successful in advancing our product candidates to market. As of March 31, 2009, we had approximately \$5.3 million in cash and cash equivalents and \$2.8 million in working capital and we do not expect to generate positive net cash flows for the foreseeable future. Following the equity financing we completed in June 2009, in which we raised net proceeds of approximately \$1.7 million, we re-started the final manufacturing activities related to submitting a New Drug Application, or NDA, for ANX-530 to seek approval of the FDA to market ANX-530 in the United States, or U.S., and intend to continue to evaluate the data from our recently-completed bioequivalence study of ANX-514. We expect to incur substantial costs in connection with activities relating to submitting an NDA for ANX-530 and advancing ANX-530 toward commercialization in the U.S. We may also incur substantial costs in connection with evaluating, negotiating and consummating capital-raising and/or strategic or partnering transactions or liquidating our assets and winding-up our operations. We cannot currently predict the extent of these costs. Even if we incur costs in pursuing, evaluating and negotiating particular capital-raising and/or strategic or partnering transactions, our efforts may not prove successful. Excluding the potentially significant costs associated with evaluating, negotiating and consummating capital-raising and/or strategic or partnering transactions or seeking protection under the provisions of the U.S. Bankruptcy Code or liquidating our assets and winding-up our operations, we anticipate that our cash and cash equivalents as of March 31, 2009, together with the net proceeds from the equity financings we completed on June 12, 2009 and July 6, 2009, will be sufficient to permit us to conduct our business through at least September 30, 2009. We will need to raise substantial additional capital to continue our business after this period.

Our independent auditor's report for the year ended December 31, 2008 includes an explanatory paragraph stating that our recurring losses from operations and negative cash flows raise substantial doubt about our ability to continue as a going concern. If we are unable to obtain additional financing or consummate a strategic transaction on commercially reasonable terms, our business, financial condition and results of operations will be materially and adversely affected and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to seek protection under the provisions of the U.S. Bankruptcy Code or liquidate our assets and dissolve our company.

In either case, we may receive less than the value at which those assets are carried on our financial statements. Based on our current working capital and estimated costs of implementing an orderly liquidation of our assets, we do not expect that there will be material cash available for distribution to our stockholders.

We are seeking to raise additional capital as soon as possible in order to continue our business and our recently re-started development activities, including activities related to submitting an NDA to seek approval of the FDA for marketing ANX-530 in the United States, or U.S. Our future expenditures on our programs are subject to many uncertainties, including whether our product candidates will be developed with a partner or independently. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

S-3

---

**Table of Contents**

the costs of seeking regulatory approval for our lead product candidates, ANX-530 and ANX-514, including any bioequivalence or clinical studies, process development, scale-up and other manufacturing activities, or other work required to achieve such approval, as well as the timing of such activities and approval;

the timing and terms of any collaborative, licensing and other strategic arrangements that we may establish;

the cost related to establishing or contracting for sales and marketing capabilities and other commercial capabilities;

the scope, prioritization and number of development and/or commercialization programs we pursue and the rate of progress and costs with respect to such programs;

the extent to which we will need to rebuild our workforce, which currently consists of two full-time employees, and the cost involved in hiring, training and incentivizing new employees;

the extent to which we invest in or acquire new technologies, products or businesses;

the effect of competing technological and market developments; and

the cost involved in establishing, enforcing or defending patent claims and other intellectual property rights. We are seeking additional funding through public or private sales of our equity securities, debt financings, collaborations, licensing arrangements or other strategic transactions. However, we may not be able to obtain sufficient additional funding on satisfactory terms, if at all. We believe global economic conditions, including the recent credit crisis, have adversely impacted our ability to raise additional capital and may continue to do so. In addition, we have been evaluating and continue to evaluate strategic options, including the sale or exclusive license of one or more of our product candidate programs, a strategic business merger and similar transactions. However, to date, discussions with potential strategic transaction partners have been unsuccessful, protracted or on terms that we determined were unacceptable.

***Our ability to raise capital may be limited by applicable laws and regulations.***

Although we have an effective shelf registration statement on Form S-3 that allows us to raise up to \$25 million from the sale of common stock, preferred stock, debt securities, warrants and units, we may not be able to use that registration statement to raise substantial additional capital, if any. Under current SEC regulations, we will not be eligible to use a registration statement on Form S-3 for primary offerings of our common stock or securities convertible into our common stock unless our common stock is listed and registered on a national securities exchange or unless the aggregate market value of our common stock held by non-affiliates reaches \$75 million or more. The NYSE Amex will review the appropriateness of continued listing of any issuer that falls below the exchange's continued listing standards and may, in its discretion, at any time, and without notice, suspend dealings in, or may remove any security from, listing privileges. The NYSE Amex will normally consider suspending dealings in, or removing from the list, securities of an issuer which has stockholders' equity of less than \$6.0 million if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years. On June 1, 2009, we received notice from the NYSE Amex staff that, based on their review of our Form 10-Q for the period ended March 31, 2009, we are not in compliance with certain stockholders' equity continued listing standards. Specifically, the NYSE Amex staff noted that we are not in compliance with Section 1003(a)(ii) of the NYSE Amex Company Guide because we reported stockholders' equity of less than \$4,000,000 and losses from continuing operations and net losses in three of our four most recent fiscal years, or with Section 1003(a)(iii) of the Company Guide because we reported stockholders' equity of less than \$6,000,000 and losses from continuing operations and net losses in our five most recent fiscal years. In addition, the NYSE Amex staff notified us, in accordance with Section 1003(f)(v) of the Company Guide, that it deems it appropriate for us to effect a reverse stock split of our common stock to address our low selling price per share, and that if a reverse stock split is not completed within a reasonable amount of time after

June 1, 2009, the NYSE Amex may consider suspending dealings in, or removing from the list, our common stock. See the risk factor below headed, "We are currently not in compliance with NYSE Amex continuing listing standards and are at risk of being delisted from the NYSE Amex equities market," for additional information regarding the risk of our common stock being delisted from the NYSE Amex. If our common stock were delisted from the NYSE Amex, our ability to raise capital on terms and conditions we deem acceptable, if at all, may be materially impaired. Currently, without significantly raising our stockholders' equity and increasing the selling price per share of our common stock, we do not anticipate being eligible to register and list our common stock on any other national securities exchange.

In addition, even if we maintain our listing with the NYSE Amex, under current SEC regulations, at any time during which the aggregate market value of our common stock held by non-affiliates, or public float, is less than \$75.0 million (calculated as set forth in Form S-3 and SEC rules and regulations), the amount we can raise through primary offerings of our securities in any twelve-month period using a registration statement on Form S-3 will be limited to an aggregate of one-third of our public float. As of August 4, 2009, our public float was approximately 109 million shares. Based on a market value of \$0.22 per share, which was the closing price of our common stock on June 11, 2009, a date within 60 days prior to the date hereof, the aggregate market value of our public float was approximately \$24 million. The value of one-third of that public float was approximately \$8 million; however, the market value

**Table of Contents**

of all securities sold by us under our Form S-3 registration statement in the past 12 months will be subtracted from that amount to determine any future amount we can raise using our Form S-3 registration statement. Alternative means of raising capital through sales of our securities, including through the use of a Form S-1 registration statement, may be more costly and time-consuming.

Even if we maintain our listing with the NYSE Amex, our ability to timely raise sufficient capital may be limited by the exchange's requirements relating to stockholder approval for transactions involving the issuance of our common stock or securities convertible into our common stock. For instance, the NYSE Amex requires that we obtain stockholder approval of any transaction involving the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value, which (together with sales by our officers, directors and principal stockholders) equals 20% or more of our presently outstanding common stock, unless the transaction is deemed a public offering by the NYSE Amex staff. Based on our outstanding common stock as of August 4, 2009 and a closing price of \$0.13, which was the closing price of our common stock on August 4, 2009, we could not raise more than approximately \$3.1 million without stockholder approval, unless the transaction is deemed a public offering or does not involve the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value. However, certain prior sales by us may be aggregated to any offering we may propose in the near-term, further limiting the amount we could raise in any future offering that is not deemed a public offering by the NYSE Amex and would involve the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value.

Obtaining stockholder approval is a costly and time-consuming process. If we are required to obtain stockholder approval, we would expect to spend substantial additional money and resources. In addition, seeking stockholder approval would delay our receipt of otherwise available capital, which may materially and adversely affect our ability to continue as a going concern, and there is no guarantee our stockholders would ultimately approve a proposed transaction. A public offering under NYSE Amex rules typically involves broadly announcing the proposed transaction, which often times has the effect of depressing the issuer's stock price. Accordingly, the price at which we could sell our securities in a public offering may be less and the dilution existing stockholders experience may in turn be greater than if we were able to raise capital through other means.

***Raising additional capital may cause dilution to our existing stockholders, require us to relinquish proprietary rights or restrict our operations.***

We may raise additional capital at any time and may do so through one or more financing alternatives, including public or private sales of our equity securities, debt financings, collaborations, licensing arrangements or other strategic transactions. Each of these financing alternatives carries certain risks. Raising capital through the issuance of common stock may depress the market price of our stock and may substantially dilute our existing stockholders. If we instead seek to raise capital through strategic transactions, such as licensing arrangements or sales of one or more of our technologies or product candidates, we may be required to relinquish valuable rights. For example, any licensing arrangement would likely require us to share a significant portion of any revenues generated by our licensed technologies with our licensees. Additionally, the development of any product candidates licensed or sold to third parties will no longer be in our control and thus we may not realize the full value of any such product candidates. Debt financings could involve covenants that restrict our operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets, as well as prohibitions on our ability to create liens or make investments and may, among other things, preclude us from making distributions to stockholders (either by paying dividends or redeeming stock) and taking other actions beneficial to our stockholders. In addition, investors could impose more one-sided investment terms and conditions on companies that have or are perceived to have limited remaining funds or limited ability to raise additional funds. As we continue to use our cash and cash equivalents to fund our operations, it will likely become increasingly difficult to raise additional capital on commercially reasonable terms, or at all.

***If we are unable to raise sufficient additional capital, we may be not be able to continue our recently re-started development programs or we may be forced to partner product candidates at inopportune times or pursue less-expensive but higher-risk development paths.***

In March 2009, we suspended substantially all of our development activities and fundamental business operations. Additionally, since October 2008, we have significantly reduced our workforce in order to provide additional time to consummate a strategic transaction or otherwise obtain financing. Following the equity financing we completed in June 2009, we re-started the final manufacturing activities related to submitting an NDA for ANX-530 and intend to continue to evaluate the data from our recently-completed bioequivalence study of ANX-514. However, even if we complete the offering described in this prospectus supplement, we may seek to raise additional capital prior to undertaking all of the remaining activities necessary to submit an NDA for ANX-530 and we may need to raise substantial additional capital to fund our operations, including pre-launch activities, during the regulatory review period if an ANX-530 NDA is submitted, to conduct launch activities for ANX-530 should an NDA for ANX-530 be approved and to continue the development of ANX-514. If we are not able to raise adequate funds to continue our recently re-started development programs and operations at levels we believe would enable us to capitalize on our assets, we may have to abandon some or all of them altogether or attempt to continue our development and commercialization efforts by entering into arrangements with partners or others that, if available at all, may not be on favorable terms and may require us to relinquish some or all of our rights to our product candidates or the financial benefits thereof or we may determine to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements.

**Table of Contents**

To conserve funds, we may pursue less expensive but higher-risk development paths. For instance, we may limit our process development activities to the minimum we feel is sufficient to support our development and commercialization goals, in particular, with respect to ANX-530. Process development helps define the various parameters and specifications for manufacturing products at commercial-scale. Without comprehensive process development activities, we may lack the information necessary to develop an accurate validation plan to support an NDA and may be unable to successfully manufacture at commercial scale. If we are unable to validate the manufacturing processes included in an NDA, we may be required to amend the NDA, which could result in substantial delays in commercializing the subject drug, as well as call into question our ability to ultimately obtain marketing approval for that drug. In addition, we would expect to spend significant funds undertaking the activities necessary to support an amendment to an NDA.

***We may seek to merge with or be acquired by another company and that transaction may adversely affect our business and the value of our securities.***

Because of our limited ability to raise funds, including for the reasons noted above, we may seek to merge with another company with a stronger cash position, complementary work force or product candidate portfolio or for other reasons. We believe the market price for our common stock may not accurately reflect the value of our business. While we will continue to seek to maximize the value of our business to our stockholders, the most attractive option for doing so may require us to consummate a transaction involving an exchange of our common stock with that of another company.

There are numerous risks associated with merging or being acquired. These risks include, among others, incorrectly assessing the quality of a prospective acquirer or merger-partner, encountering greater than anticipated costs in integrating businesses, facing resistance from employees and being unable to profitably deploy the assets of the new entity. The operations, financial condition, and prospects of the post-transaction entity depend in part on our and our acquirer/merger-partner's ability to successfully integrate the operations related to our product candidates, business and technologies. We may be unable to integrate operations successfully or to achieve expected cost savings and any cost savings which are realized may be offset by losses in revenues or other charges to operations. As a result, our stockholders may not realize the full value of their investment.

***If we fail to maintain registration of the shares of common stock issued or issuable pursuant to the exercise of warrants we issued in our July 2005 private placement, we will be required to pay the holders of those securities liquidated damages, which could be material in amount.***

The terms of the securities purchase agreement that we entered into in connection with our July 2005 private placement require us to pay liquidated damages to the purchasers of those securities in the event any shares issued or issuable pursuant to the exercise of warrants we issued in the private placement cannot be resold pursuant to our registration statement on Form S-3 (No. 333-127857) filed with and declared effective by the SEC on September 2, 2005. We refer to this as a maintenance failure. For each 30-day period or portion thereof during which a maintenance failure remains uncured, we are obligated to pay each purchaser an amount in cash equal to 1% of the purchaser's aggregate purchase price for any shares of common stock or shares of common stock issuable upon exercise of warrants then held by the purchaser (pro rated for any period less than a month), increasing by an additional 1% with regard to each additional 30-day period or portion thereof until the maintenance failure is cured. There is no cap with respect to the total amount of these liquidated damages. The aggregate gross proceeds from our July 2005 private placement were approximately \$20 million. We are required to maintain the registration statement until the earlier of the date (i) all of the securities issued in our July 2005 private placement have been resold and (ii) each purchaser can resell the securities pursuant to Rule 144 under the Securities Act of 1933, as amended, without regard to the adequate current public information, volume, manner of sale or notice filing restrictions. The amount of these liquidated damages could be substantial and could have a material adverse effect on our financial condition.

For additional information, see Note 11 of the Notes to Consolidated Financial Statements, Registration Payment Arrangement, of our annual report on Form 10-K for the year ended December 31, 2008.

***We may be unable to retain the services of key personnel, and, even if we are successful in raising additional funds to continue our business and recently re-started development activities, we may not be successful in rebuilding our workforce to carry out the development and commercialization activities necessary for our product candidates.***

We have only two full-time employees and we depend on the services of these employees to continue our business. We do not have a chief executive officer or chief financial officer. Our Chief Business Officer and Senior Vice President currently is acting as our interim principal executive officer and our General Counsel, Secretary and Vice President, Legal currently is acting as our interim principal financial and accounting officer. To the extent we are successful in raising additional funds to continue our business and further advance our product candidates towards commercialization, we may need to expand our managerial, financial, regulatory, research and development, manufacturing, commercial, quality, compliance and other resources in order to manage our operations, submit applications to and respond to inquiries from the FDA and, if approved, commercialize our products. We do not expect that our current management and personnel, systems and facilities will be adequate to support these activities. The success of our business will depend, in part, on our ability to attract and retain highly qualified management, scientific and other

S-6

---



**Table of Contents**

personnel, and on our ability to develop and maintain important relationships with respected service providers and industry-leading consultants and advisors. Competition for these types of personnel and relationships is intense from numerous pharmaceutical and biotechnology companies, universities and other research institutions, particularly in the San Diego, California area. In connection with the cost-cutting measures we implemented in October 2008, January 2009 and March 2009, we eliminated, among others, our scientific staff and our manufacturing and regulatory personnel, who had a deep background in our product candidates and our research and development programs. Recruiting and retaining employees, including senior-level personnel, with relevant product development experience in cancer and process development experience with emulsified cytotoxic drugs may be costly and time-consuming. We have historically provided incentive compensation to our officers and employees in part through grants of stock options and, more recently, restricted stock units under our equity compensation plans. Decreases in the trading price of our common stock, however, have substantially reduced the value of equity compensation awards made to our officers and employees in prior years and such awards may not provide adequate compensation to retain such individuals. Our ability to provide competitive compensation to our officers and employees may also be adversely affected by our limited capital resources and anticipated need to raise substantial additional capital to continue our business. We cannot ensure that we will be able to retain existing employees or attract and retain additional skilled personnel on acceptable terms as a result of these factors and, accordingly, we may not achieve our development and commercialization goals.

***We have significant incentive and may, under certain circumstances, have significant severance and other obligations under agreements with our current officers.***

In July 2009, we adopted a 2009 mid-year incentive plan and a retention and severance plan, both of which apply to Mr. Culley and Mr. Keran, our two remaining employees. Under the incentive plan, each of Mr. Culley and Mr. Keran are eligible for incentive awards based upon the achievement of corporate performance objectives in effect at the end of 2009. Awards generally will be paid in cash. The potential award of each of Mr. Culley and Mr. Keran will be based 100% on our achievement of corporate objectives and the target award amount for each of them is \$150,000. The target amount of each award may be increased or decreased by multiplying the target amount by a corporate performance multiplier, as will be determined by the compensation committee of our board of directors in the first quarter of 2010. Award multipliers will range from zero to 1.5. Payment of awards under the incentive plan will be made after December 31, 2009 and on or before March 14, 2010. Under the retention plan, if the employment of either of our two remaining employees terminates at any time as a result of an involuntary termination, and such employee delivers and does not revoke a general release of claims, which will also confirm any post-termination obligations and/or restrictions applicable to such employee, such employee will be entitled to an amount equal to twelve (12) months of such employee's then-current base salary, less applicable withholdings, and an amount equal to the estimated cost of continuing such employee's health care coverage and the coverage of such employee's dependents who are covered at the time of the involuntary termination under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, for a period equal to twelve (12) months. These severance benefits will be paid in a lump-sum on the date the general release of claims becomes effective. Our aggregate contractual obligation under the retention plan, including applicable payroll and employer taxes, is approximately \$650,000.

We believe these plans are necessary to incentivize and retain these key employees and reinforce their dedication to us during a period when they would otherwise likely seek alternative employment. Our contractual responsibility for our current and any future incentive and/or severance obligations may cause us to cease or curtail our operations at an earlier date than would otherwise be the case if we were not required to satisfy these obligations. In addition, part or all of the proceeds from a future capital raising transaction may be used to satisfy these obligations.

***The use of our net operating loss carryforwards may be limited.***

Net operating loss carryforwards may expire and not be used. As of December 31, 2008, we had generated federal net operating loss carryforwards of approximately \$90.4 million and state net operating loss carryforwards of approximately \$41.4 million. Federal net operating loss carryforwards have a 20-year carryforward period and begin to expire in 2020. State net operating loss carryforwards have a ten year carry forward period and begin to expire in 2012.

Pursuant to Section 382 of the Internal Revenue Code, annual use of our net operating loss carryforwards may be limited in the event a cumulative change in ownership of more than 50 percent occurs within a three-year period. We determined that, as of January 1, 2009, no such ownership change had occurred. However, recent and potential future financing events, including this offering, may cause changes in ownership under Section 382, which could cause our net operating loss carryforwards to be subject to limitations and restrictions. If a change in ownership were to occur, our net operating loss carryforwards could be eliminated or restricted. Inability to fully utilize our net operating loss carryforwards could have an adverse impact on our financial position and results of operations.

***If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to annually furnish a report by our management on our internal control over financial reporting. Such report must contain, among other matters, an assessment by our principal executive officer and our principal financial officer on the effectiveness of our internal control over financial reporting, including a statement as

S-7

---

**Table of Contents**

to whether or not our internal control over financial reporting is effective as of the end of our fiscal year. This assessment must include disclosure of any material weakness in our internal control over financial reporting identified by management. In addition, under current SEC rules, we will be required to obtain an attestation from our independent registered public accounting firm as to our internal control over financial reporting for our annual report on Form 10-K for our fiscal year ending December 31, 2009. Performing the system and process documentation and evaluation needed to comply with Section 404 is both costly and challenging. We have in the past discovered, and may in the future discover, areas of internal controls that need improvement. For example, during the fourth quarter of 2008, we discovered that we did not correctly apply generally accepted accounting principles as they related to accounting for warrant liability because our accounting staff did not have adequate training or expertise, and determined that we had a material weakness in our internal control over financial reporting as of December 31, 2007. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. For a detailed description of this material weakness and our remediation of this material weakness, see Part II Item 9A(T) Controls and Procedures of our annual report on Form 10-K for the year ended December 31, 2008. If additional material weaknesses are identified in our internal control over financial reporting, neither our management nor our independent registered public accounting firm will be able to assert that our internal control over financial reporting and/or our disclosure controls and procedures are effective, and we could be required to further implement expensive and time-consuming remedial measures. We cannot be certain that any measures we take will ensure that we implement and maintain adequate internal control over financial reporting and that we will remediate the material weakness. As a result of recent reductions in our workforce and other personnel departures, we have experienced substantial turnover in our personnel responsible for performing activities related to our internal control over financial reporting. We have used third-party contractors to maintain effective internal control over financial reporting during this turn-over. However, if we fail to maintain effective internal control over financial reporting and/or disclosure controls and procedures we could lose investor confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on our stock price.

***Our operations might be interrupted by the occurrence of a natural disaster or other catastrophic event.***

Our corporate headquarters are located at a single business park in San Diego, California. Important documents and records, including copies of our regulatory documents and other records for our product candidates, are located at our facilities and we depend on our facilities for the continued operation of our business. Natural disasters and other catastrophic events, such as wildfires and other fires, earthquakes and extended power interruptions, which have impacted San Diego businesses in the past, and terrorist attacks, drought or flood, could significantly disrupt our operations and result in additional, unplanned expense. As a small company, we have limited capability to establish and maintain a comprehensive disaster recovery program and, accordingly, we do not have a formal business continuity or disaster recovery plan, and any natural disaster or catastrophic event could delay our development and commercialization efforts. Even though we believe we carry commercially reasonable insurance, we might suffer losses that exceed the coverage available under these insurance policies. In addition, we are not insured against terrorist attacks or earthquakes.

**Risks Related to Drug Development and Commercialization*****Further testing of and/or validation of manufacturing processes with respect to our product candidates is required and regulatory approval may be delayed or denied, which would limit or prevent us from marketing our product candidates and significantly impair our ability to generate revenues.***

Human pharmaceutical products generally are subject to rigorous preclinical testing and clinical trials and other approval procedures mandated by the FDA and foreign regulatory authorities. Various federal and foreign statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products. The process of obtaining these approvals and the subsequent compliance with appropriate U.S. and foreign statutes and regulations is time-consuming and requires the expenditure of substantial resources. In addition, these requirements and processes vary widely from country to country.

To varying degrees based on the regulatory plan for each product candidate, the effect of government regulation and the need for FDA and other regulatory agency approval will delay commercialization of our product candidates,

impose costly procedures upon our activities, and put us at a disadvantage relative to larger companies with which we compete. There can be no assurance that FDA or other regulatory approval for any product candidates developed by us will be granted on a timely basis, or at all. Even though the FDA has confirmed the appropriateness of a Section 505(b)(2) regulatory path for ANX-530 and ANX-514, the FDA's views may change. If the FDA requires the longer-term regulatory approval pathway associated with traditional drug development for ANX-530 and ANX-514, we may determine that the associated time and cost is not financially justifiable and, as a result, discontinue those programs. If we discontinue the development of one or both of these product candidates, our business and stock price may suffer.

In connection with any NDA that we file under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, or FDCA, we may be required to notify third parties that we have certified to the FDA that any patents listed for the approved drug in the FDA's Orange Book publication are invalid or will not be infringed by the manufacture, use or sale of our drug. If the third-party files a patent infringement lawsuit against us within 45 days of its receipt of notice of our certification, the FDA is automatically prevented from approving our NDA until, subject to certain adjustments, the earliest of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to us. Accordingly, we may invest significant time and expense in the

S-8

---

**Table of Contents**

development of our product candidates, including ANX-530 and ANX-514, only to be subject to significant delay and patent litigation before our products may be commercialized.

***We may not achieve our projected development and commercialization goals in the time frames we announce.***

***Delays in the commencement or completion of pre/non-clinical testing, bioequivalence or clinical trials or manufacturing, regulatory or launch activities could result in increased costs to us and delay or limit our ability to generate revenues.***

We set goals for and make public statements regarding our estimates of the timing of the accomplishment of objectives material to successful development and commercialization of our product candidates. The actual timing of these events can vary dramatically due to any number of factors, including delays or failures in our pre/non-clinical testing, bioequivalence and clinical trials and manufacturing, regulatory and launch activities and the uncertainties inherent in the regulatory approval process. While our regulatory strategy for ANX-530 and ANX-514 has been to demonstrate the pharmacokinetic equivalence of each to the currently approved reference product in small, bioequivalence trials in humans, we may determine to conduct clinical studies to support uses in new indications or other label changes or for other reasons.

We conduct pre/non-clinical activities in the course of our development programs, including in connection with the manufacture of our product candidates, and in response to requests by regulatory authorities, as well as for other reasons. Delays in our pre/non-clinical activities could occur for a number of reasons, including:

- delays in reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and contract manufacturing organizations, or CMOs, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and CMOs;

- failures on the part of our CROs and CMOs in developing procedures and protocols or otherwise conducting activities on timeframes requested by us;

- changes in regulatory requirements or other standards or guidance relating to preclinical testing, including testing of pharmaceutical products in animals;

- a lack of availability of animals that are suitable for the types of studies we plan to conduct;

- a lack of availability of capacity at our CMOs, or of the component materials, including the active pharmaceutical ingredient, or API, or related materials, including vials and stoppers, necessary to manufacture our product candidates or products; and

- unforeseen results of preclinical or nonclinical testing that require us to amend study or test designs or delay future testing or bioequivalence or clinical trials and related regulatory filings.

In addition, we do not know whether planned bioequivalence or clinical trials will commence on time or be completed on schedule, if at all. The commencement and completion of trials can be delayed for a variety of reasons, including delays related to:

- obtaining regulatory approval to commence a trial;

- identifying appropriate trial sites and reaching agreement on acceptable terms with prospective CROs, trial sites and investigators, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs, trial sites and investigators;

- manufacturing sufficient quantities of a product candidate;

- obtaining institutional review board, or IRB, approval to conduct a trial at a prospective site;

recruiting and enrolling patients to participate in trials for a variety of reasons, including competition from other clinical trials for the same indication as our product candidates and the perception that the design of a trial or the proposed treatment regimen is less beneficial to patients than available alternatives; and

retaining patients who have initiated a trial but may be prone to withdraw due to side effects from the therapy, lack of efficacy or personal issues, or who are lost to further follow-up.

For example, in October 2007, we announced results of our phase 2b clinical trial of ANX-510, or CoFactor, for the first-line treatment of metastatic colorectal cancer, which demonstrated that the CoFactor/5-FU arm did not demonstrate statistically significant improved safety in the trial's primary endpoint. In November 2007, we announced that we would discontinue enrolling patients in our phase 3 clinical trial of CoFactor for the first-line treatment of metastatic colorectal cancer and, in October 2008, we announced that we had discontinued active work on all product candidates other than ANX-530 and ANX-514, including CoFactor. In addition, in May 2009, we announced that we did not meet the primary endpoint in our bioequivalence study of ANX-514, resulting in additional uncertainty around the cost and timeline to obtaining FDA approval for that product candidate.

S-9

---

## **Table of Contents**

In addition, a trial may be suspended or terminated by us, the FDA or other regulatory authorities due to a number of factors, including:

failure to conduct the trial in accordance with regulatory requirements or the trial's protocol;

inspection of trial operations or trial sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;

unforeseen safety issues; or

lack of adequate funding to continue the trial.

Additionally, changes in regulatory requirements and guidance relating to clinical trials may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination or renegotiate terms with CROs, trial sites and clinical investigators, all of which may impact the costs, timing or successful completion of a clinical trial.

There can be no assurance that our preclinical and nonclinical testing and bioequivalence and/or clinical trials will commence or be completed, that we will make regulatory submissions or receive regulatory approvals as planned or that we will be able to adhere to our current schedule for the development or commercialization of any of our product candidates. If we experience delays in completion of, or if we terminate, our bioequivalence or clinical trials or preclinical and nonclinical testing, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenues will be delayed. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of bioequivalence or clinical trials or preclinical and nonclinical testing may also ultimately lead to the denial of regulatory approval of a product candidate. Even if we are able to ultimately commercialize our product candidates, other therapies for the same indications may have been introduced to the market and established a competitive advantage.

***Positive results in our preclinical testing and/or bioequivalence trials do not ensure that future bioequivalence or clinical trials will be successful or that our product candidates will receive the regulatory approvals necessary for their commercialization.***

Before obtaining regulatory approvals for the commercial sale of any of our product candidates, we must demonstrate through preclinical testing and bioequivalence or clinical trials that each product is safe and effective for use in each target indication. Success in preclinical testing and/or bioequivalence trials does not ensure that subsequent or large-scale trials will be successful. Additionally, throughout development, we must provide adequate assurance to the FDA and other regulatory authorities that we can consistently produce our product candidates in conformance with current good manufacturing practices, or cGMP, and other regulatory standards. Bioequivalence and clinical trial results are frequently susceptible to varying interpretations and regulatory authorities may disagree on what are appropriate methods for analyzing data, which may delay, limit or prevent regulatory approvals. For instance, with respect to our bioequivalence trial of ANX-530, the FDA may perform its pharmacokinetic equivalence analysis based on a patient population other than the population on which we based our analysis, which may result in the FDA determining that ANX-530 and Navelbine® are not bioequivalent, requiring that we evaluate additional patients, re-perform the study or take other remedial action. In addition, the FDA may inquire regarding the manufacturing source, in-process and product release specifications and overall uniformity of reference product used in the bioequivalence trial of ANX-530, particularly since it was conducted at sites in multiple countries, and we may be unable to provide documentation satisfactory to the FDA with respect to such reference product, which may result in the FDA requiring that we evaluate additional patients, re-perform the study or take other remedial measures. Further, the ANX-530 bioequivalence trial was open-label, meaning physician-investigators, as well as patients, may have been aware of which drug was being administered. There is a risk of investigator bias in reporting adverse events as a result of the study's open-label nature, including bias that increased the reporting of adverse events associated with Navelbine and/or that decreased the reporting of adverse events associated with ANX-530. With respect to ANX-514, despite positive preclinical testing that indicated pharmacokinetic equivalence between ANX-514 and the reference product, our bioequivalence trial of ANX-514 did not demonstrate pharmacokinetic equivalence between ANX-514

and the reference product based on benchmark regulatory standards.

The length of time necessary to complete bioequivalence or clinical trials and manufacturing development work and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly and may be difficult to predict. In addition, delays or rejections may be encountered based upon changes in FDA policy for drug approval during the period of product development and FDA regulatory review of each submitted NDA.

There is a significant risk that any of our product candidates could fail to show satisfactory results in human trials, as was the case in our bioequivalence study of ANX-514, or manufacturing development, and, as a result, we may not continue their development. A failure to obtain requisite regulatory approvals or to obtain approvals of the scope requested will delay or preclude us from marketing our products or limit the commercial use of the products, and would have a material adverse effect on our business, financial condition and results of operations.

S-10

---



**Table of Contents**

***If any of our product candidates for which we receive regulatory approval do not achieve broad market acceptance (including as a result of failing to differentiate our products from competitor products or as a result of failing to obtain reimbursement rates for our products that are competitive from the healthcare provider's perspective), the revenues we generate from their sales will be limited and our business may not be profitable.***

Our success will depend in substantial part on the extent to which our products for which we obtain marketing approval from the FDA and comparable foreign regulatory authorities are accepted by the medical community and reimbursed by third-party payors, including government payors. The degree of market acceptance will depend upon a number of factors, including, among other things:

our product's perceived advantages over existing treatment methods (including relative convenience and ease of administration and prevalence and severity of any adverse side effects);

claims or other information (including limitations or warnings) in our product's approved labeling;

reimbursement and coverage policies of government and other third-party payors;

pricing and cost-effectiveness;

in the U.S., the ability of group purchasing organizations, or GPOs (including distributors and other network providers), to sell our products to their constituencies;

the establishment and demonstration in the medical community of the safety and efficacy of our products and our ability to provide acceptable evidence of safety and efficacy;

availability of alternative treatments; and

the prevalence of off-label substitution of chemically equivalent products.

We cannot predict whether physicians, patients, healthcare insurers or maintenance organizations, or the medical community in general, will accept or utilize any of our products. If our products are approved but do not achieve an adequate level of acceptance by these parties, we may not generate sufficient revenues from these products to become or remain profitable. In addition, our efforts to educate the medical community and third-party payors regarding the benefits of our products may require significant resources and may never be successful.

Under our Section 505(b)(2) regulatory strategy for ANX-530 and ANX-514, because we anticipate submitting NDAs based on pharmacokinetic data, our ability to differentiate our products from competitor products will be limited unless the FDA allows us to include certain data in our product's labels. Even if our products demonstrate clinical or pharmacoeconomic benefits, we may be unable to market our products based on these benefits.

If we fail to obtain a unique Healthcare Common Procedure Coding System, or HCPCS, product code for ANX-530, it is unlikely we will be able to sell that product at a price that exceeds its manufacturing, marketing and distribution costs. Even if we obtain separate HCPCS codes for our products, if our products are perceived to provide little or no advantage relative to competitive products or for other reasons, we may be required to price our products at levels that do not cover our costs to manufacture, market and distribute the products or provide any profit, or to price our products at levels at which they are not competitive.

***We do not have manufacturing capabilities and are dependent on single source manufacturers and suppliers for certain of our product candidates and their component materials, and the loss of any of these manufacturers or suppliers, or their failure to provide us with an adequate supply of products or component materials on commercially acceptable terms, or at all, could harm our business.***

We do not have any manufacturing capability. We rely on third-party manufacturers and component materials suppliers for the manufacture of our product candidates for bioequivalence or clinical trial purposes and we anticipate establishing relationships with third-party manufacturers and component materials suppliers for the commercial production of our products. Currently we do not have any commercial supply agreements or commitments with our

third-party manufacturers or component suppliers, and we cannot ensure that we will be able to establish relationships with these parties on commercially acceptable terms, or at all. If we fail to establish and maintain such relationships, we expect it would have a material and adverse effect on our operations. Even if we successfully establish relationships with third-party manufacturers and component suppliers on commercially acceptable terms, our manufacturers and suppliers may not perform as agreed or may terminate their agreements with us. Because many of our single source suppliers provide manufacturing services to a number of other pharmaceutical companies, our suppliers may experience capacity constraints or choose to prioritize one or more of their other customers over us. Any significant problem that our single source manufacturers or suppliers experience could delay or interrupt the supply to us of bioequivalence or clinical trial materials or products until the manufacturer or supplier cures the problem or until we locate an alternative source of supply, if an alternative source is available, and any such delay or interruption could materially and adversely affect our development and commercial activities and operations.

S-11

---

**Table of Contents**

For instance, ANX-530 is an emulsified cytotoxic product that must be aseptically-filled. There are a limited number of CMOs capable and willing to manufacture this type of product at the commercial scale at which we anticipate requiring in accordance with our marketing plans for ANX-530, which will make identifying and establishing short- or long-term relationships with willing manufacturers more difficult and provide them with substantial leverage over us in any negotiations. Furthermore, certain of the component materials of ANX-530 are available only from a particular supplier, and currently we do not have any short- or long-term agreements for the supply of those materials. Even if we successfully establish a long-term relationship with our current CMO for ANX-530 on commercially acceptable terms, our CMO may be unable to successfully and consistently manufacture ANX-530 at commercial scale. We and this manufacturer have limited experience manufacturing ANX-530. Because data from a single bioequivalence trial of ANX-530 may be sufficient to support an NDA for ANX-530, our and our current contract manufacturer's ability to gain experience manufacturing ANX-530, in particular at various scales, has been limited. If our current CMO is unable to manufacture ANX-530 successfully and consistently at commercial scale and within established parameters, we may be unable to validate our manufacturing process, even if the FDA otherwise would approve our NDA, and therefore unable to sell ANX-530. Our current CMO has similarly limited experience with ANX-514.

All manufacturers of our products and product candidates must comply with cGMP requirements enforced by the FDA through its facilities inspection program, as well as applicable requirements of foreign regulatory authorities. These requirements include quality control, quality assurance and the maintenance of records and documentation. Manufacturers of our products and product candidates may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. While we or our representatives generally monitor and audit our manufacturer's systems, we have little control over our manufacturers' ongoing compliance with these regulations and standards. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval.

Furthermore, the manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up initial production. These problems include difficulties with production costs and yields, quality control, including stability of the product candidate and quality assurance testing and shortages of qualified personnel.

If our manufacturers were to encounter any of these difficulties or otherwise fail to comply with their contractual obligations, our ability to provide product candidates to patients in our future bioequivalence or clinical trials may be jeopardized. Any delay or interruption in the supply of supplies could delay the completion of our future trials, increase the costs associated with maintaining our development programs and, depending upon the period of delay, require us to commence new trials at significant additional expense or terminate the trials completely. We cannot ensure that manufacturing or quality control problems will not arise in connection with the manufacture of our products or product candidates, or that third-party manufacturers will be able to maintain the necessary governmental licenses and approvals to continue manufacturing such products or product candidates. Any of the above factors could cause us to delay or suspend anticipated or on-going trials, regulatory submissions, required approvals or commercialization of our product candidates, entail higher costs or result in our being unable to effectively commercialize our products. Our dependence upon third parties for the manufacture of our products and product candidates may adversely affect our future costs and our ability to develop and commercialize our products and product candidates on a timely and competitive basis.

If any of our product candidates should be approved, any problems or delays experienced in their manufacturing processes may impair our ability to provide commercial quantities of the products, which would limit our ability to sell the products and would adversely affect our business. It could take significant time to redesign our manufacturing processes or identify alternative suppliers in response to problems we may encounter as we manufacture our products, if such alternative processes and suppliers are available at all. Even if we are able to identify alternative suppliers, they may be unwilling to manufacture our products on commercially reasonable terms. Neither ANX-530 nor ANX-514 have been manufactured at the scales we believe will be necessary to maximize their commercial value to us and,

accordingly, we may encounter difficulties in production while scaling-up initial production and may not be successful at all in scaling-up initial production.

Any new supplier of products or component materials, including API, would be required to qualify under applicable regulatory requirements and would need to have sufficient rights under applicable intellectual property laws to the method of manufacturing such products or ingredients. The FDA may require us to conduct additional bioequivalence or clinical trials, collect stability data and provide additional information concerning any new supplier, or change in a validated manufacturing process, before we could distribute products from that supplier or revised process. Obtaining the necessary FDA approvals or other qualifications under applicable regulatory requirements and ensuring non-infringement of third-party intellectual property rights could result in a significant interruption of supply and could require the new supplier to bear significant additional costs which may be passed on to us. For instance, with respect to ANX-530, the form of API used in the manufacture of ANX-530 for purposes of our bioequivalence study of ANX-530 will not be the same form of API used in the manufacture of ANX-530 for purposes of process validation batches or commercial supply. To ensure the comparability of the ANX-530 used in the bioequivalence study and the ANX-530 intended for commercial sale, FDA may require that we evaluate both forms of ANX-530 in additional patients, re-perform the bioequivalence study or take other remedial actions. We may have insufficient quantities of both forms of ANX-530 and could incur substantial cost and delay in acquiring such quantities, in addition to the time and expense associated with conducting the evaluation, re-performing the study or taking other remedial measures.

S-12

---

**Table of Contents**

***We rely in part on third parties to conduct our preclinical and nonclinical testing and bioequivalence and clinical studies and other aspects of our development programs and if those third parties do not satisfactorily perform their contractual obligations or meet anticipated deadlines, the development of our product candidates could be adversely affected.***

We do not employ personnel or possess the facilities necessary to conduct the activities associated with our programs, particularly since we implemented severe cost-cutting measures in late 2008 and early 2009. We engage consultants, advisors, CROs, CMOs and others to design and conduct preclinical and nonclinical tests and bioequivalence and clinical studies in connection with the research and development of our product candidates. As a result, many important aspects of our product candidates' development are outside our direct control. There can be no assurance that such third parties will perform all of their obligations under arrangements with us or will perform those obligations satisfactorily.

The CROs with which we contract for execution of our bioequivalence and clinical studies play a significant role in the conduct of the studies and subsequent collection and analysis of data, and we will likely depend on these and other CROs and clinical investigators to conduct our future bioequivalence or clinical studies or assist with our analysis of completed bioequivalence studies. Individuals working at the CROs with which we contract, as well as investigators at the sites at which our studies are conducted, are not our employees, and we cannot control the amount or timing of resources that they devote to our programs. If these CROs fail to devote sufficient time and resources to our studies, or if their performance is substandard, it will delay the approval of our applications to regulatory agencies and the introduction of our products. Failure of these CROs to meet their obligations could adversely affect development of our product candidates. Moreover, these CROs may have relationships with other commercial entities, some of which may compete with us. If they assist our competitors at our expense, it could harm our competitive position.

For instance, we lack the internal capabilities to fully analyze the data from our bioequivalence study of ANX-514 and will rely on multiple third-party consultants to help us interpret and understand the data. Because of the impact different analyses of the data may have on our business, we believe an employee likely would approach the data and analysis in a substantially more rigorous, thoughtful and creative manner than a consultant or contractor.

***We currently have no sales or marketing capability and our failure to develop these and related capabilities internally or contract with third parties to perform these activities successfully could delay and/or limit our ability to generate revenues in the event one or more of our product candidates obtains regulatory approval.***

We currently do not have sales, marketing or commercialization personnel. We have limited business development personnel. To commercialize our products, including ANX-530, we will have to acquire or develop sales, marketing and distribution capabilities, or rely on marketing partners or other arrangements with third parties for the marketing, distribution and sale of our products. There is no guarantee that we will be able to establish marketing, distribution or sales capabilities or make arrangements with third parties to perform those activities on terms satisfactory to us, or that any internal capabilities or third party arrangements will be cost-effective. The acquisition or development of a sales and distribution and associated regulatory compliance infrastructure will require substantial resources, which may divert the attention of our management and key personnel and negatively impact our product development efforts. In addition, any third parties with which we establish marketing, distribution or sales arrangements may have significant control over important aspects of the commercialization of our products, including market identification, marketing methods, pricing, composition of sales force and promotional activities. If we retain third-party service providers to perform functions related to the sale and distribution of our products, key aspects of those functions that would be out of our direct control could include warehousing and inventory management, distribution, contract administration and chargeback processing, accounts receivable management and call center management. In this event, we would place substantial reliance on third-party providers to perform services for us, including entrusting our inventories of products to their care and handling. If these third-party service providers fail to comply with applicable laws and regulations, fail to meet expected deadlines, or otherwise do not carry out their contractual duties to us, or encounter natural or other disasters at their facilities, our ability to deliver product to meet commercial demand could be significantly impaired. In addition, we may use third parties to perform various other services for us relating to sample accountability and regulatory monitoring, including adverse event reporting, safety database management and

other product maintenance services. If the quality or accuracy of the data maintained by these service providers is insufficient, our ability to continue to market our products could be jeopardized or we could be subject to regulatory sanctions. We do not currently have the internal capacity to perform these important commercial functions, and we may not be able to maintain commercial arrangements for these services on reasonable terms, or at all. Even if we are successful in establishing and maintaining these arrangement, there can be no assurance that we will be able to control the amount and timing of resources that any third party may devote to our products or prevent any third party from pursuing alternative technologies or products that could result in the development of products that compete with, or the withdrawal of support for, our products.

***If we receive regulatory approval for one or more of our product candidates, we may face competition from generic products, which could exert downward pressure on the pricing and market share of our products and limit our ability to generate revenues.***

S-13

---

**Table of Contents**

Many of the currently marketed and anticipated products against which our product candidates may compete are, or we anticipate will be, available as generics. For instance, ANX-530 will compete against Navelbine, for which generic equivalents are already available. ANX-514 will compete against Taxotere®. We anticipate that ANX-514 will also compete against other formulations of docetaxel and that generic Taxotere will enter the market in November 2013 or May 2014 (depending on whether a period of pediatric exclusivity is granted in the future). Even if we obtain unique HCPCS codes for our products, the existence of generic products could make it more difficult for our branded products, including ANX-530 and ANX-514, to gain or maintain market share and could cause prices for our products to drop, each of which could adversely affect our business.

We may also face competition for our products from lower priced products from foreign countries that have placed price controls on pharmaceutical products. Proposed federal legislative changes may expand consumers' ability to import lower priced versions of our and competing products from Canada. Further, several states and local governments have implemented importation schemes for their citizens, and, in the absence of federal action to curtail such activities, we expect other states and local governments to launch importation efforts. The importation of foreign products that compete with our own products could negatively impact our business and prospects.

***Even if we receive regulatory approval in the U.S. for ANX-530 and/or ANX-514, we will likely depend on a limited number of group purchasing organizations for retail distribution of these products, and if we subsequently lose any significant GPO relationship, our business could be harmed.***

Our current U.S. commercialization strategy for our lead emulsion formulations initially involves marketing and selling these products through a limited number of GPOs. Even if we are successful in securing relationships with these entities, the subsequent loss of any one or more of these GPO accounts or a material reduction in their participation could harm our business, financial condition or results of operations. In addition, we may face pricing pressure from these GPOs.

***Even if we receive regulatory approval for one or more of our product candidates, they may still face future development and regulatory difficulties that could materially and adversely affect our business, financial condition and results of operations and cause our stock price to decline.***

Even if initial regulatory approval is obtained, the FDA or a foreign regulatory agency may still impose significant restrictions on a product's indicated uses or marketing or impose ongoing requirements for potentially costly post-approval studies or marketing surveillance programs. Our product candidates will also be subject to ongoing FDA requirements related to the labeling, packaging, storage, advertising, promotion, record-keeping and submission of safety and other post-market information on the product. For instance, in September 2007, amendments to the FDCA were signed into law. These amendments significantly strengthen the FDA's regulatory authority over drugs, including new controls over the post-approval monitoring of drugs. The FDA may now require changes to approved drug labels, require post-approval clinical trials and impose distribution and use restrictions on certain drugs. In addition, approved products, manufacturers and manufacturers' facilities are subject to continuing regulatory review and periodic inspections. If previously unknown problems with a product are discovered, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, the FDA may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we or a CMO of ours fail to comply with applicable regulatory requirements, a regulatory agency may:

issue warning letters or untitled letters;

impose civil or criminal penalties;

suspend or withdraw regulatory approval;

suspend or terminate any ongoing bioequivalence or clinical trials;

refuse to approve pending applications or supplements to approved applications;

impose restrictions or affirmative obligations on our or our CMO's operations, including costly new manufacturing requirements;

close the facilities of a CMO; or

seize or detain products or require a product recall.

***Even if one or more of our product candidates receive regulatory approval in the U.S., we may never receive approval or commercialize our products outside of the U.S., which would limit our ability to realize the full market potential of our product candidates.***

In order to market any products outside of the U.S., we must establish and comply with numerous and varying regulatory requirements

S-14

---



## **Table of Contents**

of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. In particular, other countries may not have a comparable regulatory as is available under Section 505(b)(2) of FDCA. Even if a country did have a comparable procedure, that country may require a more robust data package than the pharmacokinetic data package that we intend to submit in support of NDAs for ANX-530 and ANX-514. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the U.S., as well as other risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval could have the same adverse effects detailed above regarding FDA approval in the U.S. As described above, such effects include the risks that our product candidates may not be approved for all indications requested, which could limit the uses of our product candidates and have an adverse effect on product sales, and that such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post-marketing follow-up studies.

***Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval or commercialization.***

Undesirable side effects caused by our product candidates could interrupt, delay or halt bioequivalence or clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all indications, and in turn prevent us from commercializing our product candidates and generating revenues from their sale.

In addition, if any of our product candidates receive marketing approval and we or others later identify undesirable side effects caused by the product or the reference product:

regulatory authorities may require the addition of labeling statements, such as a black box warning or a contraindication;

regulatory authorities may withdraw their approval of the product;

we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product; and

our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product, which in turn could delay or prevent us from generating significant revenues from its sale.

### **Risks Related to Our Intellectual Property**

***Our success will depend on patents and other protection we obtain on our product candidates and proprietary technology.***

Our success will depend in part on our ability to:

obtain and maintain patent protection with respect to our products;

prevent third parties from infringing upon our proprietary rights;

maintain trade secrets;

operate without infringing upon the patents and proprietary rights of others; and

obtain appropriate licenses to patents or proprietary rights held by third parties if infringement would otherwise occur, both in the U.S. and in foreign countries.

The patent and intellectual property positions of biopharmaceutical companies, including ours, are uncertain and involve complex legal and factual questions. There is no guarantee that we have or will develop or obtain the rights to products or processes that are patentable, that patents will issue from any pending applications or that claims allowed will be sufficient to protect the technology we develop or have developed or that is used by us, our CMOs or our other service providers. In addition, we cannot be certain that patents issued to us will not be challenged, invalidated, infringed or circumvented, including by our competitors, or that the rights granted thereunder will provide competitive advantages to us.

Furthermore, patent applications in the U.S. are confidential for a period of time until they are published, and publication of discoveries in scientific or patent literature typically lags actual discoveries by several months. As a result, we cannot be certain that the inventors listed in any patent or patent application owned by us were the first to conceive of the inventions covered by such patents and patent applications or that such inventors were the first to file patent applications for such inventions.

S-15

---

**Table of Contents**

We may also rely on unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position, which we seek to protect, in part, by confidentiality agreements with employees, consultants, collaborators and others. We also have invention or patent assignment agreements with our employees and certain consultants. There can be no assurance, however, that binding agreements will not be breached, that we will have adequate remedies for any breach, or that trade secrets will not otherwise become known or be independently discovered by competitors. In addition, there can be no assurance that inventions relevant to us will not be developed by a person not bound by an invention assignment agreement with us.

***Exclusivity for our emulsion-formulation product candidates may be limited because of the nature of patent protection available for these candidates.***

While the patent applications covering our emulsion-formulation product candidates, including ANX-530 and ANX-514, include product claims, they cover only specific formulations of the underlying chemical entity, or API, and not the API itself. Such product claims are not as strong as claims covering new APIs, which are widely viewed as the strongest form of intellectual property protection for pharmaceutical products, as they apply without regard to how the API is formulated or the method in which the API is used. A competitor may modify our formulations and obtain regulatory approval for products with the same API as our products. Such competitive products may not infringe the patents we hold covering our specific formulations of the API.

***If we are sued for infringing the proprietary rights of third parties, it will be costly and time consuming, and an unfavorable outcome would have an adverse effect on our business.***

Our commercial success depends on our ability and the ability of our CMOs and component suppliers to develop, manufacture, market and sell our products and product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are or may be developing products. As the biotechnology and pharmaceutical industry expands and more patents are issued, the risk increases that our products and product candidates may give rise to claims that our products or product candidates infringe the rights of others. Because patent applications can take many years to publish and issue, there may be currently pending applications, unknown to us, that may later result in issued patents that our products, product candidates or technologies infringe, or that the process of manufacturing our products or any of their respective component materials, or the component materials themselves, infringe.

We or our CMOs or component material suppliers may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights alleging that our products, product candidates and/or technologies infringe their intellectual property rights or that the process of manufacturing our products or any of their respective component materials, or the component materials themselves, infringe their intellectual property rights. If one of these patents was found to cover our products, product candidates, technologies or their uses, or any of the underlying manufacturing processes or components, we could be required to pay damages and could be unable to commercialize our products or use our technologies or methods unless we are able to obtain a license to the patent or intellectual property right. A license may not be available to us on acceptable terms, if at all. In addition, during litigation, a patent holder could obtain a preliminary injunction or other equitable remedy that could prohibit us from making, using or selling our products, technologies or methods.

In connection with any NDA that we file under Section 505(b)(2) of the FDCA, we may be required to notify third parties that we have certified to the FDA that any patents listed for the approved drug in the FDA's Orange Book publication are invalid or will not be infringed by the manufacture, use or sale of our drug. If the third-party files a patent infringement lawsuit against us within 45 days of its receipt of notice of our certification, the FDA is automatically prevented from approving our Section 505(b)(2) NDA until, subject to certain adjustments, the earliest of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to us. Accordingly, we may invest significant time and expense in the development of our product candidates, including ANX-514, only to be subject to significant delay and patent litigation before our product candidates may be commercialized.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries generally. If a third party claims that we or our CMOs or component material suppliers

infringe its intellectual property rights, we may face a number of issues, including, but not limited to:  
infringement and other intellectual property claims which, with or without merit, may be expensive and time consuming to litigate and may divert our management's attention from our core business;

substantial damages for infringement, including treble damages and attorneys' fees, which we may have to pay if a court decides that the product at issue infringes on or violates the third party's rights;

a court prohibiting us from selling or licensing the product unless the third party licenses its product rights to us, which it may not be required to do;

S-16

---

**Table of Contents**

if a license is available from the third party, we may have to pay substantial royalties, fees and/or grant cross-licenses to our products; and

redesigning our products or processes so they do not infringe, which may not be possible or may require substantial funds and time.

No assurance can be given that patents do not exist, have not been filed, or could not be filed or issued, which contain claims covering our products, technology or methods or those of our CMOs or component material suppliers. Because of the number of patents issued and patent applications filed in our field, we believe there is a risk that third parties may allege they have patent rights encompassing our products, technology or methods or those of our CMOs or component material suppliers.

In addition, it may be necessary for us to enforce patents under which we have rights, or to determine the scope, validity and unenforceability of other parties' proprietary rights, which may affect our rights. There can be no assurance that our patents would be held valid by a court or administrative body or that an alleged infringer would be found to be infringing. The uncertainty resulting from the mere institution and continuation of any technology-related litigation or interference proceeding could have a material and adverse effect on us.

**RISKS RELATED TO OUR INDUSTRY**

*We expect intense competition in the marketplace for all of our product candidates.*

The industry in which we operate is highly competitive and rapidly changing. If successfully developed and approved, all of our products will likely compete with existing and new products and therapies and our competitors may succeed in commercializing products more rapidly or effectively than us, which would have a material and adverse effect on our results of operations and financial condition. In addition, there are numerous companies with a focus in oncology and/or that are pursuing the development of pharmaceuticals that target the same diseases as are targeted by the products being developed by us or that focus on reformulating currently approved drugs. We anticipate that we will face intense and increasing competition in the future as new products enter the market and advanced technologies become available. There is no assurance that existing products or new products developed by competitors will not be more effective, or more effectively marketed and sold, than those we may market and sell. Competitive products may render our products and product candidates obsolete or noncompetitive.

For instance, numerous companies are focused on reformulating currently approved chemotherapeutic agents. In particular, the taxanes, the class of drugs of which Taxotere is a member, have experienced substantial commercial success, in part as a result of their effectiveness in treating a wide variety of cancers, which has generated significant interest in reformulating Taxotere and other taxanes. In addition to our approach of emulsifying docetaxel, other companies are pursuing alternative delivery vehicles, including the use of albumin nanoparticles, prodrugs, polyglutamates, analogs, co-solvents, liposomes and microspheres. Many of these or similar approaches could be applied to vinorelbine. Relative to our formulations, formulations based on one or more of these other methods may result in greater efficacy or safety, provide better drug delivery to tumor sites or otherwise increase benefits to patients and healthcare providers.

In particular, ANX-530 and ANX-514, if approved, may compete against Navelbine and Taxotere, respectively, as well as their generic equivalents and other formulations of vinorelbine and docetaxel. In addition to Navelbine, currently there are at least 6 generic versions of vinorelbine on the market. In addition, there is an oral formulation of vinorelbine approved for use in the European Union, or EU, against which we would compete if our emulsion formulation of vinorelbine were approved for use in the EU. In the U.S., in May 2010 (but subject to any period of pediatric exclusivity that may be granted in the future), patent protection ends for docetaxel and, in November 2013 (but subject to any period of pediatric exclusivity that may be granted in the future), patent protection ends for Taxotere. We are aware of two leading generics companies that each have developed or acquired a formulation of docetaxel and have certified that, after May 2010, their respective formulations of docetaxel will not infringe any unexpired Taxotere patents.

Under our current regulatory strategy, because we anticipate submitting Section 505(b)(2) NDAs with only bioequivalence data, the ability to differentiate our products from competitor products will be limited. Even if we believe our products demonstrate clinical or pharmacoeconomic benefits, we may be unable to market our products

based on these benefits. If our products fail to obtain unique HCPCS codes, we may be required to price our products at levels that do not cover our costs to manufacture, market and distribute the products or provide any profit, or to price our products at levels at which they are not competitive.

Companies likely to have products that will compete with our product candidates have significantly greater financial, technical and human resources and are better equipped to develop, manufacture, market and distribute products. Many of these companies have extensive experience in preclinical testing and clinical trials, obtaining FDA and other regulatory approvals and manufacturing and marketing products and have products that have been approved or are in late-stage development and operate large, well-funded research and development programs.

Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and biotechnology companies. Furthermore, academic institutions, government agencies and other public and private

S-17

---

## **Table of Contents**

research organizations are becoming increasingly aware of the commercial value of their inventions and are actively seeking to commercialize the technology they have developed.

***We are subject to uncertainty relating to healthcare reform measures and reimbursement policies that, if not favorable to our products, could hinder or prevent our products' commercial success.***

Our ability to commercialize our products successfully will depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available from government health administration authorities, private health insurers and other third-party payors. Significant uncertainty exists as to the reimbursement status of newly approved medical products. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare may adversely affect:

our ability to set a price we believe is fair for our products;

our ability to generate revenues or achieve or maintain profitability;

the future revenues and profitability of our potential customers, suppliers and collaborators; and

the availability to us of capital.

If we are successful in obtaining FDA approval for ANX-530, we will compete with Navelbine and several generic versions of Navelbine. Our ability to commercialize ANX-530 will depend in part on the extent to which governmental authorities, private health insurers and other organizations establish appropriate coverage and reimbursement levels for the cost of our products and related treatments. These payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement, particularly for new therapeutic products or if there is a perception that the target indication of the new product is well-served by existing treatments. Accordingly, even if coverage and reimbursement are provided, market acceptance of our products would be adversely affected if the amount of coverage and/or reimbursement available for the use of our products proved to be unprofitable for healthcare providers or less profitable than alternative treatments.

There have been federal and state proposals to subject the pricing of healthcare goods and services to government control and to make other changes to the U.S. healthcare system. While we cannot predict the outcome of current or future legislation, we anticipate, particularly given President Obama's focus on healthcare reform, that Congress and state legislatures will introduce initiatives directed at lowering the total cost of healthcare. In addition, in certain foreign markets, the pricing of drugs is subject to government control and reimbursement may in some cases be unavailable or insufficient. It is uncertain if future legislative proposals, whether domestic or abroad, will be adopted that might affect our product candidates or what actions federal, state, or private payors for healthcare treatment and services may take in response to any such healthcare reform proposals or legislation. Any such healthcare reforms could have a material and adverse effect on the marketability of any products for which we ultimately receive FDA or other regulatory agency approval.

***We face potential product liability exposure and, if successful claims are brought against us, we may incur substantial liability for a product or product candidate and may have to limit its commercialization. In the future, we anticipate that we will need to obtain additional or increased product liability insurance coverage and it is uncertain that such increased or additional insurance coverage can be obtained on commercially reasonable terms.***

Our business (in particular, the use of our product candidates in clinical trials and the sale of our products for which we obtain marketing approval) will expose us to product liability risks. Product liability claims might be brought against us by patients, health care providers, pharmaceutical companies or others selling our products. If we cannot successfully defend ourselves against these claims, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

decreased demand for our products or product candidates;

impairment of our business reputation;

withdrawal of bioequivalence or clinical trial participants;

costs of related litigation;

substantial monetary awards to patients or other claimants;

loss of revenues; and

the inability to commercialize our products and product candidates.

We maintain limited product liability insurance for our bioequivalence and clinical trials, but our insurance coverage may not

S-18

---



## **Table of Contents**

reimburse us or may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses.

We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval of any of our product candidates, but we may be unable to obtain product liability insurance on commercially acceptable terms or may not be able to maintain such insurance at a reasonable cost or in sufficient amounts to protect us against potential losses. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

### **RISKS RELATED TO OUR COMMON STOCK**

***We are currently not in compliance with NYSE Amex continuing listing standards and are at risk of being delisted from the NYSE Amex equities market.***

Our common stock currently trades on the NYSE Amex. NYSE Amex will normally consider suspending dealings in, or removing from the list, securities of an issuer which has stockholders' equity of less than \$6.0 million if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years. As of March 31, 2009, our stockholders' equity was approximately \$3.0 million and we have incurred annual net losses since inception. In addition, NYSE Amex will normally consider suspending dealings in, or removing from the list, securities selling for a substantial period of time at a low price per share if the issuer fails to effect a reverse split of such stock within a reasonable time after being notified that the NYSE Amex deems such action to be appropriate under the circumstances. Since October 1, 2007 through the date hereof, the closing price of a share of our common stock has been less than \$1.00.

On June 1, 2009, we received notice from the NYSE Amex staff that, based on their review of our Form 10-Q for the period ended March 31, 2009, we are not in compliance with certain stockholders' equity continued listing standards. Specifically, the NYSE Amex staff noted that we are not in compliance with Section 1003(a)(ii) of the NYSE Amex Company Guide because we reported stockholders' equity of less than \$4,000,000 and losses from continuing operations and net losses in three of our four most recent fiscal years, or with Section 1003(a)(iii) of the Company Guide because we reported stockholders' equity of less than \$6,000,000 and losses from continuing operations and net losses in our five most recent fiscal years. In addition, the NYSE Amex staff notified us, in accordance with Section 1003(f)(v) of the Company Guide, that it deems it appropriate for us to effect a reverse stock split of our common stock to address its low selling price per share, and that if a reverse stock split is not completed within a reasonable amount of time after June 1, 2009, the NYSE Amex may consider suspending dealings in, or removing from the list, our common stock.

To maintain the listing of our common stock on the NYSE Amex, the NYSE Amex required us to submit a plan by July 1, 2009, advising the exchange of the actions we have taken, or will take, to regain compliance with Sections 1003(a)(ii) and (iii) of the Company Guide by December 1, 2010. On July 1, 2009, we submitted a plan to attempt to resolve our listing deficiencies and regain compliance with the continued listing requirements. On July 31, 2009, the NYSE Amex staff notified us that it determined that the plan we submitted makes a reasonable demonstration of our ability to regain compliance with the NYSE Amex's continued listing standards and determined to grant us an extension, until December 1, 2010, for us to regain compliance with the NYSE Amex's continued listing standards. During this extension period, we will be subject to periodic review to determine whether we are making progress consistent with our plan. If we do not show progress consistent with our plan, the NYSE Amex staff will review the circumstances and may immediately commence delisting proceedings.

As a result of the NYSE Amex's warning that, if we do not increase our stockholders' equity and complete a reverse stock split of our common stock to address our low selling price per share within a reasonable amount of time after June 1, 2009, it may consider suspending dealings in, or removing from the list, our common stock, our board of directors has called a special meeting of our stockholders to be held on August 25, 2009. We have recommended to our stockholders that at this special meeting they approve increasing the total number of authorized shares of common stock from 200,000,000 shares to 500,000,000 shares, with a corresponding increase in the total number of shares

which we are authorized to issue from 201,000,000 to 501,000,000, to increase the likelihood that we have enough shares to conduct future offerings of our securities, which may increase our stockholders' equity, and authorizing our board of directors to effect a reverse stock split in any ratio in the board's discretion that is not less than 2:1 nor greater than 50:1. If our stockholders do not provide this authorization, the NYSE Amex may subsequently notify us that it has determined to suspend dealings in, or remove from the list, our common stock.

The delisting of our common stock from the NYSE Amex would likely reduce the trading volume and liquidity in our common stock and may lead to further decreases in the trading price of our common stock. The delisting of our common stock may also materially impair our stockholders' ability to buy and sell shares of our common stock. In addition, the delisting of our common stock could significantly impair our ability to raise capital, which is critical to the continuation of our business.

***If our common stock were delisted and determined to be a penny stock, a broker-dealer may find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock in the secondary market.***

S-19

---

**Table of Contents**

In addition, if our common stock were removed from listing with the NYSE Amex, it may be subject to the so-called penny stock rules. The SEC has adopted regulations that define a penny stock to be any equity security that has a market price per share of less than \$5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a penny stock, unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. If our common stock were delisted and determined to be a penny stock, a broker-dealer may find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock on the secondary market. Investors in penny stocks should be prepared for the possibility that they may lose their whole investment.

***The market price of our common stock has been and is likely to continue to be highly volatile.***

On October 1, 2007, the market price for our common stock dropped almost 80% following our announcement of the results of our phase 2b clinical trial of CoFactor for the first-line treatment of metastatic colorectal cancer. In addition, the market price for our common stock has historically been highly volatile, and the market for our common stock has from time to time experienced significant price and volume fluctuations that are unrelated to our operating performance. The market price of our common stock may fluctuate significantly in response to a number of factors, including:

- the level of our financial resources and ability to continue as a going concern;
- announcements of entry into or consummation of a financing or strategic transaction;
- any decision by us to liquidate our assets and wind-up operations;
- changes in the regulatory status of our product candidates, including results of our bioequivalence and clinical trials and other research and development programs;
- FDA or international regulatory actions and regulatory developments in the U.S. and foreign countries;
- announcements of new products or technologies, commercial relationships or other events (including bioequivalence and clinical trial results and regulatory events and actions) by us or our competitors;
- market conditions in the pharmaceutical, biopharmaceutical and biotechnology sectors;
- developments concerning intellectual property rights generally or those of us or our competitors;
- litigation or public concern about the safety of our products or product candidates;
- changes in securities analysts' estimates of our financial performance or deviations in our business and the trading price of our common stock from the estimates of securities analysts;
- events affecting any future collaborations, commercial agreements and grants;
- fluctuations in stock market prices and trading volumes of similar companies;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders or pursuant to shelf or resale registration statements that register shares of our common stock that may be sold by certain of our current or future stockholders;
- discussion of us or our stock price by the financial and scientific press and in online investor communities;
- additions or departures of key personnel; and

changes in third party reimbursement policies.

As evidenced by the October 1, 2007 decline, the realization of any of the foregoing could have a dramatic and adverse impact on the market price of our common stock. In addition, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Moreover, regulatory entities often undertake investigations of investor transactions in securities that experience volatility following an announcement of a significant event or condition. Any such litigation brought against us or investigation involving our investors could result in substantial costs and a diversion of management's attention and resources, which could hurt our business, operating results and financial condition.

***Sales of substantial amounts of our common stock or the perception that such sales may occur could cause the market price of our common stock to drop significantly, even if our business is performing well.***

The market price of our common stock could decline as a result of sales by, or the perceived possibility of sales by, us or our existing

S-20

---

**Table of Contents**

stockholders of shares of our common stock. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. In addition, this shelf registration statement and our resale registration statements register a significant number of shares of our common stock, and securities convertible into our common stock, that may be sold by us or certain of our stockholders, which may increase the likelihood of sales by, or the perception of an increased likelihood of sales by, us or our existing stockholders of shares of our common stock. ***Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us, which may be beneficial to our stockholders, more difficult, which could depress our stock price. Alternatively, prohibitions on anti-takeover provisions in our charter documents may restrict us from acting in the best interests of our stockholders.***

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law and our charter documents as currently in effect may make a change in control of our company more difficult, even if a change in control would be beneficial to our stockholders. Our bylaws limit who may call a special meeting of stockholders and establish advance notice requirements for nomination of individuals for election to our board of directors or for proposing matters that can be acted upon at stockholders' meetings. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, the board of directors approves the transaction. Our board of directors may use these provisions to prevent changes in the management and control of our company. Also, under applicable Delaware law, our board of directors may adopt additional anti-takeover measures in the future. In addition, provisions of certain compensatory contracts with our management, such as equity award agreements and retention and incentive agreements with our executive officers, may have an anti-takeover effect by resulting in accelerated vesting of outstanding equity securities held by these officers and cash payments upon termination without cause or involuntary termination following a change in control.

In connection with a July 2005 private placement, we agreed with the investors in that transaction that we would not implement certain additional measures that would have an anti-takeover effect. As a result, under our amended and restated certificate of incorporation, we are prohibited from dividing our board of directors into classes and adopting or approving any rights plan, poison pill or other similar plan or device. A classified board of directors could serve to protect our stockholders against unfair treatment in takeover situations, by making it more difficult and time-consuming for a potential acquirer to take control of our board of directors. A company may also adopt a classified board of directors to ensure stability in the board of directors and thereby improve long-term planning, which may benefit stockholders. A poison pill or similar plan or device may encourage potential acquirers to discuss their intentions with the board of directors of a company and avoid the time, expense and distraction of a hostile take-over. Any benefit to us and our stockholders from instituting a classified board or adopting or approving a poison pill or similar plan or device in these and other circumstances is unavailable.

***Because we do not expect to pay dividends with respect to our common stock in the foreseeable future, you must rely on stock appreciation for any return on your investment.***

We have paid no cash dividends on any of our common stock to date, and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, with respect to our common stock, we do not expect to pay any cash dividends in the foreseeable future, and payment of cash dividends, if any, will also depend on our financial condition, results of operations, capital requirements and other factors and will be at the discretion of our board of directors. Furthermore, we are subject to various laws and regulations that may restrict our ability to pay dividends and we may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. Accordingly, the success of your investment in our common stock will likely depend entirely upon any future appreciation and there is no guarantee that our common stock will appreciate in value.

#### **RISKS RELATED TO THIS OFFERING**

***Since we have broad discretion in how we use the proceeds from this offering, we may use the proceeds in ways with which you disagree.***

Although we describe under the heading "Use of Proceeds" in this prospectus supplement our currently intended use of the net proceeds from this offering, we cannot estimate the allocation of the net proceeds of this offering among those uses and we reserve the right to change the use of proceeds as a result of certain contingencies, including any future

partnering or strategic transaction opportunity. Accordingly, our management will have significant flexibility in applying the net proceeds of this offering. You will be relying on the judgment of our management and our board of directors with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be used in a way that does not improve our operating results or enhance the value of our common stock. In addition, if we are unable to obtain additional capital or complete a strategic transaction on a timely basis, net proceeds from this offering may be used for expenses related to seeking protection under the provisions of the U.S. Bankruptcy Code or conducting an orderly liquidation of our assets and winding up of our corporate affairs. In either case, you could lose part or all of your investment.

***Investors in this offering will pay a much higher price than the book value of our stock.***

The public offering price of the securities offered hereby is likely to be substantially higher than the book value per share of our

S-21

---

**Table of Contents**

common stock. Investors purchasing securities in this offering may, therefore, incur immediate dilution in net tangible book value per share of the common stock issuable upon conversion or exercise of the securities purchased in this offering. See **Dilution** for a more detailed discussion of the dilution you will incur in this offering.

***Provisions of the Delaware General Corporation Law may prohibit us from making dividend payments with respect to our Series C convertible preferred stock or make-whole payments that may be due to the holders of our Series C convertible preferred stock.***

We are incorporated in the State of Delaware and are subject to the provisions of the Delaware General Corporation Law (the "DGCL"). Section 170 of the DGCL provides, among other things, that a Delaware corporation may declare and pay dividends upon shares of its capital stock out of its surplus, as defined in and computed in accordance with Sections 154 and 244 of the DGCL. As of the date hereof, we have sufficient surplus to make dividend payments with respect to our Series C convertible preferred stock, as well as sufficient surplus to make the make-whole payments that may be due to the holders of our Series C convertible preferred stock, should such make-whole payments be deemed a dividend under the DGCL. However, our surplus will decrease as we spend our capital on development and other operational activities, unless our spending is offset by capital-raising transactions. If our surplus is less than then-due dividend payments, including make-whole payments if they are deemed a dividend under the DGCL, we will be prohibited by the DGCL from making the dividend or make-whole payment, which may constitute a violation of our certificate of incorporation or be a breach of our contractual obligations to the holders of our Series C convertible preferred stock.

***If third parties bring claims against us, the proceeds held in escrow may be reduced and we may not be able to make dividend payments with respect to our Series C convertible preferred stock or make-whole payments that may be due to the holders of our Series C convertible preferred stock.***

Our placing of a portion of the proceeds from this offering in escrow may not protect those funds from third party claims against us. We cannot assure you that we will be able to prevent third parties, including other lenders or holders of our debt, from making claims against the escrow account. Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the proceeds held in our escrow account may be subject to applicable bankruptcy law, and may be included in our bankruptcy estate and subject to claims of third parties with priority over the claims of the holders of our Series C convertible preferred stock. To the extent bankruptcy claims deplete the amounts held in escrow, we cannot assure that we will be able to make dividend payments with respect to our Series C convertible preferred stock or make-whole payments that may be due to the holders of our Series C convertible preferred stock.

***There is no public market for the convertible preferred stock being offered in this offering.***

There is no established trading market for the convertible preferred stock being offered in this offering and we do not expect a market to develop. In addition, we do not intend to list the convertible preferred stock on any securities exchange or automated quotation system. Without an active market, the liquidity of the convertible preferred stock will be limited.

**Table of Contents**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus, including the documents that we incorporate herein and therein by reference, include forward-looking statements within the meaning 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 fact, are statements that could be deemed forward-looking statements, including, but not limited to, statements regarding business strategy, expectations and plans, our objectives for future operations, including product development, and our future financial position. When used in this report, the words believe, may, could, will, estimate, continue, anticipate, intend, expect, indicate and similar expressions are intended forward-looking statements.

We base these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs, including our ability to satisfy our immediate need for additional capital. These forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: the risk that we will be unable to raise sufficient additional capital on a timely basis to submit an NDA for ANX-530, to fund operations or pre-launch activities during the FDA review period if an NDA is submitted or launch activities should an NDA for ANX-530 be approved; the risk that we will be unable to raise sufficient additional capital on a timely basis to continue as a going concern; the risk that we will seek protection under the provisions of the U.S. Bankruptcy Code; the risk that, if we liquidate our assets, the capital available for distribution to stockholders, if any, will be insignificant; the risk that we will reassess the results of our ANX-530 bioequivalence study and determine to conduct additional bioequivalence studies of ANX-530, including in humans; the potential for regulatory authorities to require additional preclinical work and/or clinical activities to support regulatory filings, including prior to the submission or the approval of an NDA for ANX-530 and/or ANX-514, which activities may increase the cost and timeline to NDA submission or approval and negatively impact our ability to raise additional capital and/or complete a strategic or partnering transaction; the risk the FDA will determine that ANX-530 and Navelbine and/or ANX-514 and Taxotere are not bioequivalent, including as a result of performing pharmacokinetic equivalence analysis based on a patient population other than the population on which we based our analysis or determining that increased docetaxel blood-levels during and immediately following infusion are clinically relevant; the risk of investigator bias in reporting adverse events as a result of the open-label nature of the ANX-530 bioequivalence study, including bias that increased the reporting of adverse events associated with Navelbine and/or that decreased the reporting of adverse events associated with ANX-530; difficulties or delays in manufacturing, obtaining regulatory approval for and marketing ANX-530 and ANX-514, including validating commercial manufacturing processes and manufacturers, as well as suppliers, and the potential for automatic injunctions regarding FDA approval of ANX-514; the risk that the performance of third parties on whom we rely to conduct our studies or evaluate the data, including clinical investigators, expert data monitoring committees, contract laboratories and contract research organizations, may be substandard, or they may fail to perform as expected; the risk that our significantly reduced workforce and leadership by officers who do not have substantial previous experience in executive leadership roles will negatively impact our ability to raise capital or maintain effective disclosure controls and procedures or internal control over financial reporting; the risk that our common stock will be delisted by the NYSE Amex, including as a result of failing to maintain sufficient stockholders' equity or a sufficient stock price; the risk that we are unable to file timely required reports with the Securities and Exchange Commission; the risk that we will trigger a maintenance failure under that certain Rights Agreement, dated July 27, 2005, as amended, and be required to pay liquidated damages, including as a result of losing our eligibility to use Form S-3 if our common stock is delisted from the NYSE Amex or we are not timely in our filings with the Securities and Exchange Commission; and other risks and uncertainties discussed under the heading Risk Factors in this prospectus supplement, the accompanying prospectus and in other reports and documents we file with the SEC.

Any forward-looking statement speaks only as of the date on which it is made and, except as required by law, we do not intend to update any forward-looking statements publicly to reflect events or circumstances after the date on which such statement is made or to update the reasons actual results could differ materially from those anticipated in



the forward-looking statements, even if new information becomes available in the future. You should not place undue reliance on any forward-looking statement.

S-23

---

**Table of Contents**

**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of the securities offered under this prospectus supplement, after deducting placement agent's fees and our estimated offering expenses, will be approximately \$0.8 million if we sell the maximum number of shares of convertible preferred stock. Because there is no minimum offering amount required as a condition to closing in this offering, we may sell less than all of the securities offered hereby, which may significantly reduce the amount of proceeds received by us.

We currently intend to use the majority of the net proceeds to fund activities necessary to advance ANX-530 (vinorelbine emulsion) toward commercialization in the U.S., including activities related to submitting to the FDA an NDA for ANX-530. We also intend to use net proceeds to fund continued evaluation of the data from our recently completed bioequivalence study of ANX-514 (docetaxel emulsion) and development activities related to ANX-514, and for general corporate purposes. At this time we cannot estimate the allocation of the net proceeds of this offering among these anticipated uses. The amounts and timing of the expenditures may vary significantly depending on numerous factors, including our need for and ability to raise additional capital to advance ANX-530 toward commercialization. If we are unable to raise sufficient capital to fund continuation of the activities necessary to seeking FDA approval to market ANX-530 and ANX-514 and advancing those product candidates toward commercialization, we may cease operating as a going concern and seek protection under the provisions of the U.S. Bankruptcy Code or, if sufficient funds are available, conduct an orderly liquidation of our assets. We reserve the right to change the use of proceeds as a result of certain contingencies, such as those discussed above and any future opportunities to evaluate, negotiate and complete one or more strategic or partnering transactions. Accordingly, our management will have broad discretion in the application of the net proceeds of this offering. Pending use of the net proceeds, we intend to invest the net proceeds in money market accounts.

**Table of Contents**

**DIVIDEND POLICY**

We have never declared or paid any cash dividends on our common stock and do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. Our 5% Series B Convertible Preferred Stock would have accrued cumulative dividends at a rate of 5% per annum until July 6, 2014, payable on a quarterly basis beginning on October 1, 2009. However, all of the shares of the 5% Series B Convertible Preferred Stock were converted into common stock prior to the initial dividend payment date. Pursuant to the terms of the 5% Series B Convertible Preferred Stock, in connection with conversion of the preferred shares, we paid an amount equal to \$250 per \$1,000 of stated value of such converted shares, or an aggregate of \$340,250, in lieu of our dividend obligation. Such payments may be deemed dividends under the DGCL. Except for dividends, or amounts that may be deemed dividends, payable on the 5% Series C Convertible Preferred Stock offered hereby, we currently intend to retain all of our future earnings, if any, to finance operations. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects, contractual restrictions and other factors that our board of directors may deem relevant.

S-25

---

**Table of Contents****DILUTION**

If you invest in the convertible preferred stock being offered by this prospectus supplement, you will suffer immediate and substantial dilution in the net tangible book value per share of common stock. Our net tangible book value as of March 31, 2009 was approximately \$2.8 million, or approximately \$0.03 per share of common stock. Net tangible book value per share is determined by dividing our net tangible book value, which consists of our total tangible assets less total liabilities, by the number of shares of our common stock outstanding on that date.

Dilution in net tangible book value per share represents the difference between the amount per share of common stock underlying the convertible preferred stock paid by purchasers in this offering and the net tangible book value per share of our common stock immediately after this offering. Without taking into account any other changes in the net tangible book value after March 31, 2009, other than to give effect to:

our receipt of the estimated proceeds from the sale of 1,993 shares of convertible preferred stock, or 18,036,199 shares of common stock issuable upon conversion of the convertible preferred stock at a conversion price of \$0.1105 per share, in our financing that closed on June 12, 2009, less the placement agent's fees and our estimated offering expenses,

our receipt of the estimated proceeds from the sale of 1,361 shares of convertible preferred stock, or 9,504,189 shares of common stock issuable upon conversion of the convertible preferred stock at a conversion price of \$0.1432 per share, in our financing that closed on July 6, 2009, less the placement agent's fees and our estimated offering expenses, and

our receipt of the estimated proceeds from the sale of 922 shares of our convertible preferred stock in this offering, or 7,092,307 shares of common stock issuable upon conversion of the convertible preferred stock, at an assumed offering price of \$1,000 per share and conversion price of \$0.13 per share, less the placement agent's fees and our estimated offering expenses,

our net tangible book value as of March 31, 2009, after giving effect to the items above, would have been approximately \$6.5 million, or approximately \$0.052 per share of common stock. This represents an immediate increase of \$0.022 in net tangible book value per share to our existing stockholders and an immediate dilution of \$0.078 per share to purchasers of convertible preferred stock in this offering. The following table illustrates this per share dilution:

Public offering price per share of common stock underlying convertible preferred stock		\$ 0.13
Net tangible book value per share as of March 31, 2009	\$ 0.03	
Increase in net tangible book value per share attributable to offering closed June 12, 2009	\$ 0.01	
Increase in net tangible book value per share attributable to offering closed July 6, 2009	\$0.009	
Increase in net tangible book value per share attributable to this offering	\$0.003	
Pro forma net tangible book value per share as of March 31, 2009, after giving effect to offering closed on June 12, 2009		\$ 0.04
Pro forma net tangible book value per share as of March 31, 2009, after giving effect to offering closed on July 6, 2009		\$ 0.049
Pro forma net tangible book value per share as of March 31, 2009, after giving effect to this offering		\$ 0.052
Dilution in net tangible book value per share to new investors in this offering		\$(0.078)

The above table is based on 90,252,572 shares of our common stock outstanding as of March 31, 2009 (as adjusted for 18,036,199 shares of common stock issued upon conversion of the convertible preferred stock issued in our

offering that closed on June 12, 2009, 9504,189 shares of common stock issued upon conversion of the convertible preferred stock issued in our offering that closed on July 6, 2009 and 7,092,307 shares of common stock to be issued upon conversion of the convertible preferred stock issued in this offering), and excludes, as of that date:

3,509,897 shares of common stock issuable upon the exercise of outstanding stock options issued under our equity incentive plans prior to this offering, at a weighted average exercise price of \$1.70 per share;

3,250,000 shares of common stock issuable upon vesting and settlement of outstanding restricted stock units;

13,032,759 shares of common stock available for future issuance under our 2008 Omnibus Incentive Plan;

S-26

---

**Table of Contents**

13,373,549 shares of common stock issuable upon the exercise of outstanding warrants, at a weighted average exercise price of \$2.21 per share;

8,116,290 shares of common stock issuable upon the exercise of outstanding warrants issued to the purchasers in the offering that closed on June 12, 2009, at an exercise price of \$0.15 per share; and

901,810 shares of common stock issuable upon the exercise of outstanding warrants issued to the placement agent in connection with the offering that closed on June 12, 2009, at an exercise price of \$0.15 per share;

475,209 shares of common stock issuable upon the exercise of outstanding warrants issued to the placement agent in connection with the offering that closed on July 6, 2009, at an exercise price of \$0.179 per share;

354,615 shares of common stock issuable upon exercise of warrants to be issued to the placement agent for this offering, which are not covered by this prospectus supplement, at an exercise price of \$0.1625 per share.

To the extent that any options or warrants are exercised, restricted stock units are settled, new options or other equity awards are issued under our 2008 Omnibus Incentive Plan, or we otherwise issue additional shares of common stock in the future, there will be further dilution to new investors.

S-27

---

**Table of Contents**

**DESCRIPTION OF SECURITIES WE ARE OFFERING**

*The convertible preferred stock being offered in this offering will be issued pursuant to a securities purchase agreement between each of the investors and us. We urge you to review the securities purchase agreement and the certificate of designation authorizing the convertible preferred stock, which we will file as exhibits to a Current Report on Form 8-K filed with the SEC in connection with this offering, for a complete description of the terms and conditions applicable to the convertible preferred stock. The following brief summary of the material terms and provisions of the convertible preferred stock is subject to, and qualified in its entirety by, the certificate of designation authorizing the convertible preferred stock. This prospectus supplement also relates to the offering of the shares of our common stock upon the conversion of the convertible preferred stock issued to the investors in this offering. The warrants we are issuing to the placement agent in this offering to purchase up to an aggregate of 354,615 shares of our common stock are not covered by this prospectus supplement.*

**Convertible Preferred Stock**

We will authorize the convertible preferred stock by filing a certificate of designation with the Secretary of State of the State of Delaware. The certificate of designation may be authorized by our board of directors without approval by our stockholders.

The convertible preferred stock will be convertible at the option of the holder at any time into shares of our common stock at a conversion price of \$0.13 per share. The conversion price of the convertible preferred stock will be subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions. The convertible preferred stock will be subject to automatic conversion into shares of common stock upon the occurrence of a change in control of our company and we may become obligated to redeem the convertible preferred stock upon the occurrence of certain triggering events, including the material breach by us of certain contractual obligations to the holders of the convertible preferred stock, the occurrence of a change in control of our company, the occurrence of certain insolvency events relating to our company or the failure of our common stock to continue to be listed or quoted for trading on one or more specified United States securities exchanges. Subject to limited exceptions, a holder of the convertible preferred stock will not have the right to convert any portion of its convertible preferred stock if the holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of shares of our common stock outstanding immediately after giving effect to its conversion.

The convertible preferred stock provides for 5% dividend rights through February 10, 2012. Except as required by law, holders of the convertible preferred stock are not entitled to voting rights, except that the affirmative vote of the holders of a majority of the outstanding shares of convertible preferred stock is required to take certain actions that may adversely affect the rights or preferences of the holders of convertible preferred stock.

The securities purchase agreement pursuant to which the convertible preferred stock will be issued and the certificate of designation authorizing the preferred stock includes certain agreements and covenants for the benefit of the holders of convertible preferred stock, including restrictions on our ability to amend our certificate of incorporation or bylaws, pay cash dividends or distributions with respect to our common stock or other junior securities, repurchase shares of common stock or other junior securities, issue additional equity securities for a period of 60-days after the closing of the offering and incur indebtedness.

If the convertible preferred stock is converted prior to February 10, 2012, we will pay the holder of the converted convertible preferred stock an amount equal to \$125 per \$1,000 of stated value of convertible preferred stock converted less dividends paid with respect to such converted convertible preferred stock before the relevant conversion date.

We do not intend to list the convertible preferred stock on any securities exchange or automated quotation system.

**PLAN OF DISTRIBUTION**

We have entered into an engagement letter agreement, dated August 4, 2009, with Rodman & Renshaw, LLC. Subject to the terms and conditions set forth in the agreement, Rodman & Renshaw has agreed to act as our placement agent in connection with this offering. The placement agent is not purchasing or selling any securities being offered by this prospectus supplement or the accompanying prospectus, nor is it required to arrange for the purchase or sale of any specific number or dollar amount of convertible preferred stock, but has agreed to use its reasonable best efforts to arrange for the sale of all of the convertible preferred stock in this offering.

There is no requirement that any minimum number of convertible preferred stock or dollar amount of convertible preferred stock be sold in this offering and there can be no assurance that we will sell all or any of the convertible preferred stock being offered.

Our agreement with the placement agent provides that the obligations of the placement agent and the investors are subject to certain conditions precedent, including, among other things, the absence of any material change in our business and our receipt of a customary written legal opinion.

S-28

---



**Table of Contents**

We currently anticipate that the closing of this offering will take place on or about August 10, 2009. On the scheduled closing date, the following will occur:

we will receive funds in the amount of the aggregate purchase price;

the placement agent will receive the placement agent fees and compensation warrants to purchase shares of our common stock in accordance with the terms of the engagement letter agreement; and

we will deliver the convertible preferred stock to the investors.

We have agreed to pay the placement agent an aggregate fee equal to 7.0% of the gross proceeds of the sale of the convertible preferred stock in this offering. We have also agreed to grant compensation warrants to the placement agent to purchase that number of our shares of common stock equal to 5.0% of the number of shares of common stock underlying the convertible preferred stock sold by us in this offering, or up to an aggregate of 354,615 shares, at an exercise price of \$0.1625 per share. In compliance with the guidelines of FINRA, under no circumstances will the fee, commission or discount received by the placement agent or any other FINRA member or independent broker-dealer exceed 8.0% of the gross proceeds to us in this offering or any other offering in the United States pursuant the accompanying prospectus.

The compensation warrants will have an exercise price of \$0.1625 per share and will be exercisable at the option of the holder at any time after the date that is six months from the date of issuance, which will be the closing date of this offering, through and including the date that is the fifth anniversary of the date of issuance. The exercise price of the compensation warrants, and in some cases the number of shares issuable upon exercise of the compensation warrants, will be subject to adjustment in the event of stock splits, stock dividends, combinations and similar events affecting our common stock. In addition, in the event we consummate a merger or consolidation with or into another person or other reorganization event in which our common stock is converted or exchanged for securities, cash or other property, or we sell, lease, license or otherwise dispose of all or substantially all of our assets or we or another person acquire 50% or more of our outstanding common stock, then following such event, the holders of the compensation warrants will be entitled to receive upon exercise of the compensation warrants the same kind and amount of securities, cash or property which the holders would have received had they exercised the compensation warrants immediately prior to such fundamental transaction. Any successor to us or surviving entity shall assume the obligations under the compensation warrants. In certain circumstances, the warrants may be exercised on a net or cashless basis. The compensation warrants will also comply with FINRA Rule 5110(g) in that for a period of six months after their date of issuance (which shall not be earlier than the closing date of this offering), neither the compensation warrants nor any shares issued upon exercise of the compensation warrants shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person, except the transfer of any security:

by operation of law or by reason of reorganization of us;

to any FINRA member firm participating in this offering and the officers or partners thereof, if all securities so transferred remain subject to the lock-up restriction described above for the remainder of the time period;

if the aggregate amount of our securities held by Rodman & Renshaw or related persons do not exceed 1% of the securities being offered;

that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund, and participating members in the aggregate do not own more than 10% of the equity in the fund; or

the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction set forth above for the remainder of the time period.

Edgar Filing: ADVENTRX PHARMACEUTICALS INC - Form 424B5

The following table shows the per share of convertible preferred stock and total fees we will pay to the placement agent in connection with the sale of the convertible preferred stock offered pursuant to this prospectus supplement and the accompanying prospectus, assuming the purchase of all of the convertible preferred stock being offered hereby. Because there is no minimum offering amount required as a condition to closing in this offering, the actual total offering fees, if any, are not presently determinable and may be substantially less than the maximum amount set forth below.

Per share of convertible preferred stock placement agent fees	\$ 70
Maximum offering total	\$64,540

The placement agent proposes to arrange for the sale to one or more purchasers of the convertible preferred stock offered pursuant to this prospectus supplement and the accompanying prospectus directly through a securities purchase agreement between the purchasers and us.

S-29

---

**Table of Contents**

The purchase price per share of preferred stock was determined based on negotiations with the purchasers and discussions with the placement agent.

We have agreed to indemnify the placement agent and its affiliates against certain liabilities relating to or arising out of its activities under the engagement letter agreement. We have also agreed to contribute to payments the placement agent may be required to make in respect of such liabilities.

A copy of the engagement letter agreement will be included as an exhibit to a Current Report on Form 8-K filed with the SEC in connection with this offering.

The placement agent has informed us that it will not engage in over-allotment, stabilizing transactions or syndicate covering transactions in connection with this offering.

The transfer agent for our common stock is American Stock Transfer & Trust Company. We will act as transfer agent for the shares of convertible preferred stock being offered hereby.

Our common stock is traded on the NYSE Amex under the symbol ANX. The convertible preferred stock being offered hereby is not expected to be eligible for trading on any market.

S-30

---

**Table of Contents**

**LEGAL MATTERS**

The validity of the issuance of the securities being offered hereby will be passed upon for us by DLA Piper LLP (US), San Diego, California.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information electronically with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. You can request copies of these documents by writing to the SEC and paying a fee for the copying costs. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. The SEC's Internet site can be found at <http://www.sec.gov>. In addition, we make available on or through our Internet site copies of these reports as soon as reasonably practicable after we electronically file or furnish them to the SEC. Our Internet site can be found at <http://www.adventrx.com>.

**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

We are allowed to incorporate by reference information contained in documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents and that the information in this prospectus supplement and the accompanying prospectus is not complete. You should read the information incorporated by reference for more detail. We incorporate by reference in two ways. First, we list below certain documents that we have already filed with the SEC. The information in these documents is considered part of this prospectus supplement. Second, the information in documents that we file in the future will update and supersede the current information in, and be incorporated by reference in, this prospectus supplement.

We incorporate by reference the documents listed below and any filings we make with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement until the termination of this offering (in each case, except for the information furnished under Item 2.02 or Item 7.01 in any current report on Form 8-K and Form 8-K/A):

our annual report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 27, 2009 (File No. 001-32157-09708145);

the information specifically incorporated by reference into our annual report on Form 10-K for the year ended December 31, 2008 from our definitive proxy statement on Schedule 14A filed with the SEC on April 30, 2009 (File No. 001-32157-09781242);

our quarterly report on Form 10-Q for the quarterly period ended March 31, 2008 filed with the SEC on May 15, 2009 (File No. 001-32157-09829059);

our current report on Form 8-K filed with the SEC on January 2, 2009 (File No. 001-32157-09501628);

our current report on Form 8-K filed with the SEC on January 5, 2009 (File No. 001-32157-09505346);

our current report on Form 8-K filed with the SEC on January 8, 2009 (File No. 001-32157-09516181);

our current report on Form 8-K filed with the SEC on February 2, 2009 (File No. 001-32157-09561715);

our current report on Form 8-K filed with the SEC on February 5, 2009 (File No. 001-32157-09573163);

our current report on Form 8-K filed with the SEC on February 10, 2009 (File No. 001-32157-09583495);

our current report on Form 8-K filed with the SEC on March 20, 2009 (File No. 001-32157-09696365);

Edgar Filing: ADVENTRX PHARMACEUTICALS INC - Form 424B5

our current report on Form 8-K filed with the SEC on March 25, 2009 (File No. 001-32157-09702853);

our current report on Form 8-K filed with the SEC on March 25, 2009 (File No. 001-32157-09702857);

our current report on Form 8-K filed with the SEC on May 7, 2009 (File No. 001-32157-09806033);

our current report on Form 8-K filed with the SEC on June 2, 2009 (File No. 001-32157-09868487);

S-31

---

**Table of Contents**

our current report on Form 8-K filed with the SEC on June 8, 2009 (File No. 001-32157-09878961);

our current report on Form 8-K filed with the SEC on June 29, 2009 (File No. 001-32157-09914471);

our current report on Form 8-K filed with the SEC on June 30, 2009 (File No. 001-32157-09917820);

our current report on Form 8-K filed with the SEC on July 22, 2009 (File No. 001-32157-09957353);

our current report on Form 8-K filed with the SEC on July 24, 2009 (File No. 001-32157- 09962569);

our current report on Form 8-K filed with the SEC on August 4, 2009 (File No. 001-32157-09983616); and

the description of our common stock contained in our registration statement on Form 8-A filed with the SEC on April 27, 2004 (File No. 001-32157-041020580).

We will provide each person, including any beneficial owner, to whom this prospectus supplement and the accompanying prospectus is delivered, a copy of any or all of the documents incorporated by reference in this prospectus supplement and the accompanying prospectus but not delivered with this prospectus supplement and the accompanying prospectus upon written or oral request at no cost to the requester. Requests should be directed to: ADVENTRX Pharmaceuticals, Inc., 6725 Mesa Ridge Road, Suite 100, San Diego, California 92121, Attn: Investor Relations, telephone: (858) 552-0866.

This prospectus supplement is part of a registration statement on Form S-3 that we filed with the SEC. That registration statement contains more information than this prospectus supplement regarding us and our common stock, including certain exhibits and schedules. You can obtain a copy of the registration statement from the SEC at the address listed above or from the SEC's Internet website.

**You should rely only on the information in and incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of these documents.**

S-32

---

**Table of Contents**

**PROSPECTUS**  
**\$25,000,000**  
**Common Stock**  
**Preferred Stock**  
**Debt Securities**  
**Warrants**  
**Units**

**ADVENTRX PHARMACEUTICALS, INC.**

We may, from time to time in one or more offerings, offer and sell up to \$25,000,000 in the aggregate of common stock, preferred stock, debt securities, warrants to purchase common stock, preferred stock or debt securities, or any combination of the foregoing, either individually or as units comprised of one or more of the other securities.

This prospectus provides a general description of the securities we may offer. We will provide the specific terms of the securities offered in one or more supplements to this prospectus. We may also authorize one or more free writing prospectuses to be provided to you in connection with these offerings. You should read carefully this prospectus, the applicable prospectus supplement and any related free writing prospectus, as well as any documents incorporated by reference before you invest in any of our securities. **This prospectus may not be used to offer or sell any securities unless accompanied by the applicable prospectus supplement**

Our common stock is listed on the NYSE Amex (formerly, the American Stock Exchange) under the symbol ANX.

As of May 20, 2009, the aggregate market value of our outstanding common stock held by non-affiliates was approximately \$10,689,066, based on 90,252,572 shares of outstanding common stock, of which 8,656,648 shares are held by affiliates, and a price of \$0.1310 per share, which was the last reported sale price of our common stock on the NYSE Amex on May 20, 2009. As of the date of this prospectus, we have not offered any securities pursuant to General Instruction I.B.6. of Form S-3 during the prior 12 calendar month period that ends on, and includes, the date of this prospectus.

**Investing in our securities involves risk. You should carefully review the risks and uncertainties described under the heading Risk Factors beginning on page 4 of this prospectus and contained in the applicable prospectus supplement and any related free writing prospectus.**

We will sell these securities directly to investors, through agents designated from time to time or to or through underwriters or dealers. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution in this prospectus. If any underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, the names of such underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. The price to the public of such securities and the net proceeds we expect to receive from such sale will also be set forth in a prospectus supplement.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is June 4, 2009.

**TABLE OF CONTENTS**

	<b>Page</b>
<u>ABOUT THIS PROSPECTUS</u>	ii
<u>SUMMARY</u>	1
<u>RISK FACTORS</u>	4
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	26
<u>USE OF PROCEEDS</u>	27
<u>DESCRIPTION OF COMMON STOCK AND PREFERRED STOCK</u>	28
<u>DESCRIPTION OF DEBT SECURITIES</u>	31
<u>DESCRIPTION OF WARRANTS</u>	40
<u>DESCRIPTION OF UNITS</u>	41
<u>PLAN OF DISTRIBUTION</u>	43
<u>LEGAL MATTERS</u>	45
<u>EXPERTS</u>	45
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	45
<u>INCORPORATION OF CERTAIN INFORMATION BY REFERENCE</u>	45



**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf registration process, we may from time to time sell common stock, preferred stock, debt securities or warrants to purchase common stock, preferred stock or debt securities, or any combination of the foregoing, either individually or as units comprised of one or more of the other securities, in one or more offerings up to a total dollar amount of \$25,000,000. We have provided to you in this prospectus a general description of the securities we may offer. Each time we sell securities under this shelf registration, we will, to the extent required by law, provide a prospectus supplement that will contain specific information about the terms of that offering. We may also authorize one or more free writing prospectuses to be provided to you that may contain material information relating to these offerings. The prospectus supplement and any related free writing prospectus that we may authorize to be provided to you may also add, update or change information contained in this prospectus or in any documents that we have incorporated by reference into this prospectus. To the extent there is a conflict between the information contained in this prospectus and the prospectus supplement or any related free writing prospectus, you should rely on the information in the prospectus supplement or the related free writing prospectus; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date—for example, a document incorporated by reference in this prospectus or any prospectus supplement or any related free writing prospectus—the statement in the document having the later date modifies or supersedes the earlier statement.

We have not authorized any dealer, agent or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or an accompanying prospectus supplement. This prospectus and the accompanying prospectus supplement, if any, do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying prospectus supplement constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference (as our business, financial condition, results of operations and prospects may have changed since that date), even though this prospectus, any applicable prospectus supplement or any related free writing prospectus is delivered or securities are sold on a later date.

As permitted by the rules and regulations of the SEC, the registration statement, of which this prospectus forms a part, includes additional information not contained in this prospectus. You may read the registration statement and the other reports we file with the SEC at the SEC's web site or at the SEC's offices described below under the heading **Where You Can Find Additional Information**.

**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this prospectus and does not contain all of the information that you need to consider in making your investment decision. You should carefully read the entire prospectus, including the risks of investing discussed under Risk Factors beginning on page 4, the information incorporated by reference, including our financial statements, and the exhibits to the registration statement of which this prospectus is a part. When used in this prospectus, the terms ADVENTRX, we, our, us or the Company refer to ADVENTRX Pharmaceuticals, Inc. and its consolidated subsidiaries, unless otherwise indicated or as the context otherwise requires.*

**About ADVENTRX Pharmaceuticals, Inc.**

We are a development-stage biopharmaceutical company whose fundamental business is focused on in-licensing, developing and commercializing proprietary product candidates for the treatment of cancer. We seek to improve the performance and commercial potential of existing treatments by addressing limitations associated principally with their safety and use. We have devoted substantially all of our resources to research and development or to acquisition of our product candidates. We have not yet marketed or sold any products or generated any significant revenue. Our lead product candidates, ANX-530 and ANX-514, are novel emulsion formulations of currently marketed chemotherapy drugs. However, due to our immediate need to raise additional capital to continue our business, we have discontinued substantially all of our development activities and fundamental business operations to conserve cash while we pursue financing alternatives, evaluate strategic options, including the sale or exclusive license of one or more of our product candidate programs, a strategic business merger and other similar transactions, and consider whether to liquidate our assets, wind-up our operations and distribute any remaining cash to our stockholders.

Our business was incorporated in Delaware in December 1995. In October 2000, we merged our wholly-owned subsidiary, Biokeys Acquisition Corp., with and into Biokeys, Inc. and changed our name to Biokeys Pharmaceuticals, Inc. In May 2003, we merged Biokeys, Inc., our wholly-owned subsidiary, with and into us and changed our name to ADVENTRX Pharmaceuticals, Inc. In July 2004, we formed a wholly-owned subsidiary, ADVENTRX (Europe) Ltd., in the United Kingdom primarily to facilitate conducting clinical trials in the European Union and to obtain favorable pricing for discussions with the European Medicines Agency. In April 2006, we acquired SD Pharmaceuticals, Inc. as a wholly-owned subsidiary. Our executive offices are located at 6725 Mesa Ridge Road, Suite 100, San Diego, California 92121, and our telephone number is (858) 552-0866. Our corporate website is located at [www.adventrx.com](http://www.adventrx.com). We make available free of charge through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website does not constitute part of this prospectus or any prospectus supplement.

**The Securities We May Offer**

We may offer shares of our common stock and preferred stock, various series of debt securities and warrants to purchase any of such securities, either individually or in units, with a total value of up to \$25,000,000 from time to time under this prospectus, together with any applicable prospectus supplement and related free writing prospectus, at prices and on terms to be determined by market conditions at the time of offering. If we issue any debt securities at a discount from their original stated principal amount, then, for purposes of calculating the total dollar amount of all securities issued under this prospectus, we will treat the initial offering price of the debt securities as the total original principal amount of the debt securities. Each time we offer securities under this prospectus, we will provide offerees with a prospectus supplement that will describe the specific amounts, prices and other important terms of the securities being offered, including, to the extent applicable:

designation or classification;

aggregate principal amount or aggregate offering price;

maturity, if applicable;



**Table of Contents**

original issue discount, if any;

rates and times of payment of interest or dividends, if any;

redemption, conversion, exchange or sinking fund terms, if any;

conversion or exchange prices or rates, if any, and, if applicable, any provisions for changes to or adjustments in the conversion or exchange prices or rates and in the securities or other property receivable upon conversion or exchange;

ranking;

restrictive covenants, if any;

voting or other rights, if any; and

important United States federal income tax considerations.

A prospectus supplement and any related free writing prospectus that we may authorize to be provided to you may also add, update or change information contained in this prospectus or in documents we have incorporated by reference. However, no prospectus supplement or free writing prospectus will offer a security that is not registered and described in this prospectus at the time of the effectiveness of the registration statement of which this prospectus is a part.

We may sell the securities to or through underwriters, dealers or agents or directly to purchasers. We, as well as any agents acting on our behalf, reserve the sole right to accept and to reject in whole or in part any proposed purchase of securities. Each prospectus supplement will set forth the names of any underwriters, dealers or agents involved in the sale of securities described in that prospectus supplement and any applicable fee, commission or discount arrangements with them, details regarding any over-allotment option granted to them, and net proceeds to us. The following is a summary of the securities we may offer with this prospectus.

**Common Stock**

We currently have authorized 200,000,000 shares of common stock, par value \$0.001 per share. We may offer shares of our common stock either alone or underlying other registered securities convertible into or exercisable for our common stock. Holders of our common stock are entitled to such dividends as our board of directors may declare from time to time out of legally available funds, subject to the preferential rights of the holders of any shares of our preferred stock that are outstanding or that we may issue in the future. Currently, we do not pay any dividends. Each holder of our common stock is entitled to one vote per share. In this prospectus, we provide a general description of, among other things, the rights and restrictions that apply to holders of our common stock.

**Preferred Stock**

We currently have authorized 1,000,000 shares of preferred stock, par value \$0.001 per share, none of which are outstanding. Under our certificate of incorporation, our board of directors has the authority to issue shares of our preferred stock in one or more series and to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of preferred stock. The particular terms of each class or series of preferred stock, including redemption privileges, liquidation preferences, voting rights, dividend rights and/or conversion rights, will be more fully described in the applicable prospectus supplement relating to the preferred stock offered thereby.

The rights, preferences, privileges and restrictions granted to or imposed upon any series of preferred stock that we offer and sell under this prospectus and applicable prospectus supplements will be set forth in a certificate of designation relating to the series. We will incorporate by reference into the registration statement of which this prospectus is a part the form of any certificate of designation that describes the terms of the series of preferred stock we are offering before the issuance of shares of that series of preferred stock. You should read to read any



## **Table of Contents**

prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of preferred stock being offered, as well as the complete certificate of designation that contains the terms of the applicable series of preferred stock.

### **Debt Securities**

We may offer general debt obligations, which may be secured or unsecured, senior or subordinated and convertible into shares of our common stock. In this prospectus, we refer to the senior debt securities and the subordinated debt securities together as the debt securities. We may issue debt securities under a note purchase agreement or under an indenture to be entered between us and a trustee; a form of the indenture is included as an exhibit to the registration statement of which this prospectus is a part. The indenture does not limit the amount of securities that may be issued under it and provides that debt securities may be issued in one or more series. The senior debt securities will have the same rank as all of our other indebtedness that is not subordinated. The subordinated debt securities will be subordinated to our senior debt on terms set forth in the applicable prospectus supplement. In addition, the subordinated debt securities will be effectively subordinated to creditors and preferred stockholders of our subsidiaries. Our board of directors will determine the terms of each series of debt securities being offered. This prospectus contains only general terms and provisions of the debt securities. The applicable prospectus supplement will describe the particular terms of the debt securities offered thereby. You should read any prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of debt securities being offered, as well as the complete note agreements and/or indentures that contain the terms of the debt securities. Forms of indentures have been filed as exhibits to the registration statement of which this prospectus is a part, and supplemental indentures and forms of debt securities containing the terms of debt securities being offered will be incorporated by reference into the registration statement of which this prospectus is a part from reports we file with the SEC.

### **Warrants**

We may offer warrants for the purchase of shares of our common stock or preferred stock or of debt securities. We may issue the warrants by themselves or together with preferred stock, common stock or debt securities, and the warrants may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and the investors or a warrant agent. Our board of directors will determine the terms of the warrants. This prospectus contains only general terms and provisions of the warrants. The applicable prospectus supplement will describe the particular terms of the warrants being offered thereby. You should read any prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of warrants being offered, as well as the complete warrant agreements that contain the terms of the warrants. Specific warrant agreements will contain additional important terms and provisions and will be incorporated by reference into the registration statement of which this prospectus is a part from reports we file with the SEC.

### **Units**

We may offer units consisting of our common stock or preferred stock, debt securities and/or warrants to purchase any of these securities in one or more series. We may evidence each series of units by unit certificates that we will issue under a separate agreement. We may enter into unit agreements with a unit agent. Each unit agent will be a bank or trust company that we select. We will indicate the name and address of the unit agent in the applicable prospectus supplement relating to a particular series of units. This prospectus contains only a summary of certain general features of the units. The applicable prospectus supplement will describe the particular features of the units being offered thereby. You should read any prospectus supplement and any free writing prospectus that we may authorize to be provided to you related to the series of units being offered, as well as the complete unit agreements that contain the terms of the units. Specific unit agreements will contain additional important terms and provisions and will be incorporated by reference into the registration statement of which this prospectus is a part from reports we file with the SEC.

**Table of Contents**

**RISK FACTORS**

*Investing in our securities involves a high degree of risk. You should carefully consider the risk factors discussed below, together with all the other information contained or incorporated by reference in this prospectus, as may be updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the risk factors and other information contained in any applicable prospectus supplement and in any related free writing prospectus in connection with a specific offering, and in the documents incorporated herein or therein before deciding whether to purchase any of the securities being registered pursuant to the registration statement of which this prospectus is a part. Each of the risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our securities, and the occurrence of any of these risks might cause you to lose all or part of your investment.*

**RISKS RELATED TO OUR BUSINESS**

**Risks Related to Our Financial Performance, Operations and Ability to Continue as a Going Concern**

***We have incurred losses since our inception, we expect our operating expenses to continue to exceed our revenues for the foreseeable future and we may never generate revenues sufficient to achieve profitability.***

We are a development stage company and have not generated sustainable revenues from operations or been profitable since inception, and it is possible we will never achieve profitability. We have devoted our resources to developing a new generation of therapeutic products, but such products cannot be marketed until the regulatory process is completed and governmental approvals have been obtained. Accordingly, there is no current source of revenues from operations, much less profits, to sustain our present activities, and no revenues from operations will likely be available until, and unless, our product candidates are approved by the U.S. Food and Drug Administration, or FDA, or other regulatory agencies and successfully marketed, either by us or a partner, an outcome which we are not able to guarantee.

***Our financial resources are limited, we will require substantial additional funding to continue our business, and, if we are unable to raise sufficient additional capital, we may cease operating as a going concern and liquidate our assets.***

We have experienced significant operating losses in funding the development of our product candidates, accumulating operating losses totaling approximately \$141.7 million as of March 31, 2009, and we expect to continue to incur substantial operating losses for the foreseeable future, even if we or a future partner of ours is successful in advancing our product candidates to market. As of March 31, 2009, we had approximately \$5.3 million in cash and cash equivalents and \$2.8 million in working capital and we do not expect to generate positive net cash flows for the foreseeable future. While we have discontinued substantially all of our development activities and fundamental business operations, we expect to incur substantial costs in connection with evaluating, negotiating and consummating capital-raising and/or strategic transactions or liquidating our assets and winding-up our operations. We cannot currently predict the extent of these costs. Even if we incur costs in pursuing, evaluating and negotiating particular capital-raising and/or strategic transactions, our efforts may not prove successful. Accordingly, we do not believe we can provide a reasonable estimate of the rate of utilization of our cash resources in the near term. However, excluding the potentially significant costs associated with evaluating, negotiating and consummating capital-raising and/or strategic transactions or liquidating our assets and winding-up our operations, we anticipate that our cash and cash equivalents as of March 31, 2009 will be sufficient to permit us to conduct our business through at least September 30, 2009. We will need to raise substantial additional capital to continue our business after this period.

Our independent auditor's report for the year ended December 31, 2008 includes an explanatory paragraph stating that our recurring losses from operations and negative cash flows raise substantial doubt about our ability to continue as a going concern. If we are unable to obtain additional financing or consummate a strategic transaction on commercially reasonable terms, our business, financial condition and results of operations will be materially and adversely affected and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements. Based on our current working capital and estimated costs of implementing an orderly liquidation of our assets, we do not expect that there will be material cash available for distribution to our stockholders.





## **Table of Contents**

We have been evaluating and continue to evaluate strategic options, including the sale or exclusive license of one or more of our product candidate programs, a strategic business merger and similar transactions. However, discussions with potential strategic transaction partners have been unsuccessful, protracted or on terms that we determined were unacceptable. We intend to seek funding during the second quarter of 2009 in order to continue our business and resume certain of our development activities and fundamental business operations, including activities related to submitting a new drug application, or NDA, to obtain approval of the FDA for marketing ANX-530 in the United States, or U.S. Our future expenditures on our programs are subject to many uncertainties, including whether our product candidates will be developed with a partner or independently. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- the costs of seeking regulatory approval for our lead product candidates, ANX-530 and ANX-514, including any bioequivalence or clinical studies, process development, scale-up and other manufacturing activities, or other work required to achieve such approval, as well as the timing of such activities and approval;

- the timing and terms of any collaborative, licensing and other strategic arrangements that we may establish;

- the cost related to establishing or contracting for sales and marketing capabilities and other commercial capabilities;

- the scope, prioritization and number of development and/or commercialization programs we pursue and the rate of progress and costs with respect to such programs;

- the extent to which we will need to rebuild our workforce, which currently consists of three full-time employees, and the cost involved in hiring, training and incentivizing new employees;

- the extent to which we invest in or acquire new technologies, products or businesses;

- the effect of competing technological and market developments; and

- the cost involved in establishing, enforcing or defending patent claims and other intellectual property rights.

We intend to seek additional funding through public or private sales of our equity securities, debt financings, collaborations, licensing arrangements or other strategic transactions. However, we may not be able to obtain sufficient additional funding on satisfactory terms, if at all. We believe global economic conditions, including the credit crisis, have adversely impacted our ability to raise additional capital and may continue to do so.

***Our ability to raise capital may be limited by applicable laws and regulations.***

Under current SEC regulations, we will not be eligible to use a registration statement on Form S-3 for primary offerings of our common stock or securities convertible into our common stock unless our common stock is listed and registered on a national securities exchange. The NYSE Amex will review the appropriateness of continued listing of any issuer that falls below the exchange's continued listing standards and may, in its discretion, at any time, and without notice, suspend dealings in, or may remove any security from, listing privileges. The NYSE Amex will normally consider suspending dealings in, or removing from the list, securities of an issuer which has stockholders equity of less than \$6.0 million if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years. As of March 31, 2009, we do not meet this continued listing standard. As of May 20, 2009, we have not received any notice from the NYSE Amex of its intention to suspend dealings in, or remove from listing, our common stock. However, we may receive such notice at any time. If our common stock were delisted from the NYSE Amex, our ability to raise capital on terms and conditions we deem acceptable, if at all, may be materially impaired. Currently, we do not anticipate being eligible to register and list our common stock on any other national securities exchange.

In addition, even if we maintain our listing with the NYSE Amex, under current SEC regulations, at any time during



**Table of Contents**

which the aggregate market value of our common stock held by non-affiliates, or public float, is less than \$75.0 million (calculated as set forth in Form S-3 and SEC rules and regulations), the amount we can raise through primary offerings of our securities in any twelve-month period using a registration statement on Form S-3 will be limited to an aggregate of one-third of our public float. As of May 20, 2009, our public float was approximately 81.6 million shares, the value of which was approximately \$10.7 million based upon the closing price of our common stock of \$0.1310 on such date. As of May 20, 2009, the value of one-third of our public float calculated on the same basis was approximately \$3.6 million. Alternative means of raising capital through sales of our securities, including through the use of a Form S-1 registration statement, may be more costly and time-consuming.

Even if we maintain our listing with the NYSE Amex, our ability to timely raise sufficient capital may be limited by the exchange's requirements relating to stockholder approval for transactions involving the issuance of our common stock or securities convertible into our common stock. For instance, the NYSE Amex requires that we obtain stockholder approval of any transaction involving the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value, which (together with sales by our officers, directors and principal stockholders) equals 20% or more of our presently outstanding common stock, unless the transaction is deemed a public offering by the NYSE Amex staff. Based on our outstanding common stock and closing price as of May 20, 2009, we could not raise more than approximately \$2.4 million without stockholder approval, unless the transaction is deemed a public offering or does not involve the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value.

Obtaining stockholder approval is a costly and time-consuming process. If we are required to obtain stockholder approval, we would expect to spend substantial additional money and resources. In addition, seeking stockholder approval would delay our receipt of otherwise available capital, which may materially and adversely affect our ability to continue as a going concern, and there is no guarantee our stockholders would ultimately approve a proposed transaction. A public offering under NYSE Amex rules typically involves broadly announcing the proposed transaction, which often times has the effect of depressing the issuer's stock price. Accordingly, the price at which we could sell our securities in a public offering may be less and the dilution existing stockholders experience may in turn be greater than if we were able to raise capital through other means.

***Raising additional capital may cause dilution to our existing stockholders, require us to relinquish proprietary rights or restrict our operations.***

We may raise additional capital at any time and may do so through one or more financing alternatives, including public or private sales of our equity securities, debt financings, collaborations, licensing arrangements or other strategic transactions. Each of these financing alternatives carries certain risks. Raising capital through the issuance of common stock may depress the market price of our stock and may substantially dilute our existing stockholders. If we instead seek to raise capital through strategic transactions, such as licensing arrangements or sales of one or more of our technologies or product candidates, we may be required to relinquish valuable rights. For example, any licensing arrangement would likely require us to share a significant portion of any revenues generated by our licensed technologies with our licensees. Additionally, the development of any product candidates licensed or sold to third parties will no longer be in our control and thus we may not realize the full value of any such product candidates. Debt financings could involve covenants that restrict our operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets, as well as prohibitions on our ability to create liens or make investments and may, among other things, preclude us from making distributions to stockholders (either by paying dividends or redeeming stock) and taking other actions beneficial to our stockholders. In addition, investors could impose more one-sided investment terms and conditions on companies that have or are perceived to have limited remaining funds or limited ability to raise additional funds. As we continue to use our cash and cash equivalents to fund our operations, it will likely become increasingly difficult to raise additional capital on commercially reasonable terms, or at all.

***If we are unable to raise sufficient additional capital, we may be not be able to resume our development programs or we may be forced to partner product candidates at inopportune times or pursue less-expensive but higher-risk development paths.***

Currently, we have suspended substantially all of our development activities and fundamental business operations and we have reduced our workforce to three full-time employees in order to provide additional time to consummate

**Table of Contents**

a strategic transaction or otherwise obtain financing. If we are not able to raise adequate funds to resume our development programs and operations at levels we believe would enable us to capitalize on our assets, we may have to abandon some or all of them altogether or attempt to continue our development and commercialization efforts by entering into arrangements with partners or others that, if available at all, may not be on favorable terms and may require us to relinquish some or all of our rights to our product candidates or the financial benefits thereof or we may determine to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements.

To conserve funds, we may pursue less expensive but higher-risk development paths. For instance, we may limit our process development activities to the minimum we feel is sufficient to support our development and commercialization goals, in particular, with respect to ANX-530. Process development helps define the various parameters and specifications for manufacturing products at commercial-scale. Without comprehensive process development activities, we may lack the information necessary to develop an accurate validation plan to support an NDA and may be unable to successfully manufacture at commercial scale. If we are unable to validate the manufacturing processes included in an NDA, we may be required to amend the NDA, which could result in substantial delays in commercializing the subject drug, as well as call into question our ability to ultimately obtain marketing approval for that drug. In addition, we would expect to spend significant funds undertaking the activities necessary to support an amendment to an NDA.

***We may seek to merge with or be acquired by another company and that transaction may adversely affect our business and the value of our securities.***

Because of our limited ability to raise funds, including for the reasons noted above, we may seek to merge with another company with a stronger cash position, complementary work force or product candidate portfolio or for other reasons. We believe the market price for our common stock may not accurately reflect the value of our business. While we will continue to seek to maximize the value of our business to our stockholders, the most attractive option for doing so may require us to consummate a transaction involving an exchange of our common stock with that of another company.

There are numerous risks associated with merging or being acquired. These risks include, among others, incorrectly assessing the quality of a prospective acquirer or merger-partner, encountering greater than anticipated costs in integrating businesses, facing resistance from employees and being unable to profitably deploy the assets of the new entity. The operations, financial condition, and prospects of the post-transaction entity depend in part on our and our acquirer/merger-partner's ability to successfully integrate the operations related to our product candidates, business and technologies. We may be unable to integrate operations successfully or to achieve expected cost savings and any cost savings which are realized may be offset by losses in revenues or other charges to operations. As a result, our stockholders may not realize the full value of their investment.

***If we fail to maintain registration of the shares of common stock issued or issuable pursuant to the exercise of warrants we issued in our July 2005 private placement, we will be required to pay the holders of those securities liquidated damages, which could be material in amount.***

The terms of the securities purchase agreement that we entered into in connection with our July 2005 private placement require us to pay liquidated damages to the purchasers of those securities in the event any shares issued or issuable pursuant to the exercise of warrants we issued in the private placement cannot be resold pursuant to our registration statement on Form S-3 (No. 333-127857) filed with and declared effective by the SEC on September 2, 2005. We refer to this as a maintenance failure. For each 30-day period or portion thereof during which a maintenance failure remains uncured, we are obligated to pay each purchaser an amount in cash equal to 1% of the purchaser's aggregate purchase price for any shares of common stock or shares of common stock issuable upon exercise of warrants then held by the purchaser (pro rated for any period less than a month), increasing by an additional 1% with regard to each additional 30-day period or portion thereof until the maintenance failure is cured. There is no cap with respect to the total amount of these liquidated damages. The aggregate gross proceeds from our July 2005 private placement were approximately \$20 million. We are required to maintain the registration statement until the earlier of the date (i) all of the securities issued in our July 2005 private placement have been resold and (ii) each purchaser can resell the securities pursuant to Rule 144 under the Securities Act of 1933, as amended, without regard to the adequate

current public information, volume, manner of sale or notice filing restrictions. The amount of these liquidated damages could be substantial and could have a material adverse effect on our financial condition.

**Table of Contents**

For additional information, see Note 11 of the Notes to Consolidated Financial Statements, Registration Payment Arrangement, of our annual report on Form 10-K for the year ended December 31, 2008.

***We may be unable to retain the services of key personnel, and, even if we are successful in raising additional funds to continue our business and resume development and commercialization of our product candidates, we may not be successful in rebuilding our workforce to carry out those activities.***

As of May 20, 2009, we had only three full-time employees and we depend on the services of certain of these employees to continue our business. We do not have a chief executive officer or chief financial officer. Our Chief Business Officer and Senior Vice President is currently acting as our interim principal executive officer and a member of our board of directors is currently acting as our interim principal financial and accounting officer. To the extent we are successful in raising additional funds to continue our business and resume our development and commercialization activities, we may need to expand our managerial, financial, regulatory, research and development, manufacturing, commercial, quality, compliance and other resources in order to manage our operations, submit applications to and respond to inquiries from the FDA and, if approved, commercialize our products. We do not expect that our current management and personnel, systems and facilities will be adequate to support these activities.

The success of our business will depend, in part, on our ability to attract and retain highly qualified management, scientific and other personnel, and on our ability to develop and maintain important relationships with respected service providers and industry-leading consultants and advisors. Competition for these types of personnel and relationships is intense from numerous pharmaceutical and biotechnology companies, universities and other research institutions, particularly in the San Diego, California area. In connection with the cost-cutting measures we implemented in October 2008, January 2009 and March 2009, we eliminated, among others, our scientific staff and our manufacturing and regulatory personnel, who had a deep background in our product candidates and our research and development programs. Recruiting and retaining employees, including senior-level personnel, with relevant product development experience in cancer and process development experience with emulsified cytotoxic drugs may be costly and time-consuming. We have historically provided incentive compensation to our officers and employees in part through grants of stock options and, more recently, restricted stock units under our equity compensation plans. Decreases in the trading price of our common stock, however, have substantially reduced the value of equity compensation awards made to our officers and employees in prior years and such awards may not provide adequate compensation to retain such individuals. Our ability to provide competitive compensation to our officers and employees may also be adversely affected by our limited capital resources and anticipated need to raise substantial additional capital to continue our business. We cannot ensure that we will be able to retain existing employees or attract and retain additional skilled personnel on acceptable terms as a result of these factors and, accordingly, we may not achieve our development and commercialization goals.

***We have significant incentive and may, under certain circumstances, have significant severance and other obligations under agreements with certain of our current officers.***

In January 2009, we entered into incentive and retention agreements with each of our current officers that, except in the event of a termination for cause, effectively guarantee their respective salaries through specified dates (either June 30, 2009 or September 30, 2009). Our aggregate contractual obligation under these agreements, determined as of May 20, 2009, was approximately \$225,000. We believe these agreements were necessary to incentivize and retain these key employees and reinforce their dedication to us during a period when they would otherwise likely seek alternative employment. In addition, we may determine to enter into new incentive and retention and/or severance agreements with our current officers under which we may agree to effectively guarantee their respective salaries through specified extended dates and/or provide for cash severance payments and/or the continuation of health insurance and other benefits upon termination by us without cause or involuntary termination by the officer for good reason, which may or may not be conditioned upon a change in control. Our contractual responsibility for our current and any future incentive and/or severance obligations may cause us to cease or curtail our operations at an earlier date than would otherwise be the case if we were not required to satisfy these obligations. In addition, part or all of the proceeds from a future capital raising transaction may be used to satisfy these obligations.

***The use of our net operating loss carryforwards may be limited.***

Net operating loss carryforwards may expire and not be used. As of December 31, 2008, we had generated federal





**Table of Contents**

net operating loss carryforwards of approximately \$90.4 million and state net operating loss carryforwards of approximately \$41.4 million. Federal net operating loss carryforwards have a 20-year carryforward period and begin to expire in 2020. State net operating loss carryforwards have a ten year carry forward period and begin to expire in 2012.

Pursuant to Section 382 of the Internal Revenue Code, annual use of our net operating loss carryforwards may be limited in the event a cumulative change in ownership of more than 50 percent occurs within a three-year period. We determined that, as of January 1, 2009, no such ownership change had occurred. However, future financing events may cause changes in ownership under Section 382, which could cause our net operating loss carryforwards to be subject to limitations and restrictions. If a change in ownership were to occur, our net operating loss carryforwards could be eliminated or restricted.

***If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to annually furnish a report by our management on our internal control over financial reporting. Such report must contain, among other matters, an assessment by our principal executive officer and our principal financial officer on the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective as of the end of our fiscal year. This assessment must include disclosure of any material weakness in our internal control over financial reporting identified by management. In addition, under current SEC rules, we will be required to obtain an attestation from our independent registered public accounting firm as to our internal control over financial reporting for our annual report on Form 10-K for our fiscal year ending December 31, 2009. Performing the system and process documentation and evaluation needed to comply with Section 404 is both costly and challenging. We have in the past discovered, and may in the future discover, areas of internal controls that need improvement. For example, during the fourth quarter of 2008, we discovered that we did not correctly apply generally accepted accounting principles as they related to accounting for warrant liability because our accounting staff did not have adequate training or expertise, and determined that we had a material weakness in our internal control over financial reporting as of December 31, 2007. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. For a detailed description of this material weakness and our remediation of this material weakness, see Part II Item 9A(T) Controls and Procedures of our annual report on Form 10-K for the year ended December 31, 2008. If additional material weaknesses are identified in our internal control over financial reporting, neither our management nor our independent registered public accounting firm will be able to assert that our internal control over financial reporting and/or our disclosure controls and procedures are effective, and we could be required to further implement expensive and time-consuming remedial measures. We cannot be certain that any measures we take will ensure that we implement and maintain adequate internal control over financial reporting and that we will remediate the material weakness. As a result of recent reductions in our workforce and other personnel departures, we have experienced substantial turnover in our personnel responsible for performing activities related to our internal control over financial reporting. We have used third-party contractors to maintain effective internal control over financial reporting during this turn-over. However, if we fail to maintain effective internal control over financial reporting and/or disclosure controls and procedures we could lose investor confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on our stock price.

***Our operations might be interrupted by the occurrence of a natural disaster or other catastrophic event.***

Our corporate headquarters are located at a single business park in San Diego, California. Important documents and records, including copies of our laboratory books and records for our product candidates, are located at our facilities and we depend on our facilities for the continued operation of our business. Natural disasters and other catastrophic events, such as wildfires and other fires, earthquakes and extended power interruptions, which have impacted San Diego businesses in the past, and terrorist attacks, drought or flood, could significantly disrupt our operations and result in additional, unplanned expense. As a small company, we have limited capability to establish and maintain a

comprehensive disaster recovery program and, accordingly, we do not have a formal business continuity or disaster recovery plan, and any natural disaster or catastrophic event could delay our development and commercialization

**Table of Contents**

efforts. Even though we believe we carry commercially reasonable insurance, we might suffer losses that exceed the coverage available under these insurance policies. In addition, we are not insured against terrorist attacks or earthquakes.

**Risks Related to Drug Development and Commercialization**

***Further testing of and/or validation of manufacturing processes with respect to our product candidates is required and regulatory approval may be delayed or denied, which would limit or prevent us from marketing our product candidates and significantly impair our ability to generate revenues.***

Human pharmaceutical products generally are subject to rigorous preclinical testing and clinical trials and other approval procedures mandated by the FDA and foreign regulatory authorities. Various federal and foreign statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products. The process of obtaining these approvals and the subsequent compliance with appropriate U.S. and foreign statutes and regulations is time-consuming and requires the expenditure of substantial resources. In addition, these requirements and processes vary widely from country to country.

To varying degrees based on the regulatory plan for each product candidate, the effect of government regulation and the need for FDA and other regulatory agency approval will delay commercialization of our product candidates, impose costly procedures upon our activities, and put us at a disadvantage relative to larger companies with which we compete. There can be no assurance that FDA or other regulatory approval for any product candidates developed by us will be granted on a timely basis, or at all. Even though the FDA has confirmed the appropriateness of a Section 505(b)(2) regulatory path for ANX-530 and ANX-514, the FDA's views may change. If the FDA requires the longer-term regulatory approval pathway associated with traditional drug development for ANX-530 and ANX-514, we may determine that the associated time and cost is not financially justifiable and, as a result, discontinue those programs. If we discontinue the development of one or both of these product candidates, our business and stock price may suffer.

In connection with any NDA that we file under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, or FDCA, we may be required to notify third parties that we have certified to the FDA that any patents listed for the approved drug in the FDA's Orange Book publication are invalid or will not be infringed by the manufacture, use or sale of our drug. If the third-party files a patent infringement lawsuit against us within 45 days of its receipt of notice of our certification, the FDA is automatically prevented from approving our Section 505(b)(2) NDA until, subject to certain adjustments, the earliest of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to us. Accordingly, we may invest significant time and expense in the development of our product candidates, including ANX-530 and ANX-514, only to be subject to significant delay and patent litigation before our products may be commercialized.

***We may not achieve our projected development and commercialization goals in the time frames we announce.***

***Delays in the commencement or completion of pre/non-clinical testing, bioequivalence or clinical trials or manufacturing, regulatory or launch activities could result in increased costs to us and delay or limit our ability to generate revenues.***

We set goals for and make public statements regarding our estimates of the timing of the accomplishment of objectives material to successful development and commercialization of our product candidates. The actual timing of these events can vary dramatically due to any number of factors, including delays or failures in our pre/non-clinical testing, bioequivalence and clinical trials and manufacturing, regulatory and launch activities and the uncertainties inherent in the regulatory approval process. While our regulatory strategy for ANX-530 and ANX-514 has been to demonstrate the pharmacokinetic equivalence of each to the currently approved reference product in small, bioequivalence trials in humans, we or our partner may determine to conduct clinical studies to support uses in new indications or other label changes or for other reasons.

We conduct pre/non-clinical activities in the course of our development programs, including in connection with the manufacture of our product candidates, and in response to requests by regulatory authorities, as well as for other reasons. Delays in our pre/non-clinical activities could occur for a number of reasons, including:

**Table of Contents**

delays in reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and contract manufacturing organizations, or CMOs, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and CMOs;

failures on the part of our CROs and CMOs in developing procedures and protocols or otherwise conducting activities on timeframes requested by us;

changes in regulatory requirements or other standards or guidance relating to preclinical testing, including testing of pharmaceutical products in animals;

a lack of availability of animals that are suitable for the types of studies we plan to conduct;

a lack of availability of capacity at our CMOs, or of the component materials, including the active pharmaceutical ingredient, or API, or related materials, including vials and stoppers, necessary to manufacture our product candidates or products; and

unforeseen results of preclinical or nonclinical testing that require us to amend study or test designs or delay future testing or bioequivalence or clinical trials and related regulatory filings.

In addition, we do not know whether planned bioequivalence or clinical trials will commence on time or be completed on schedule, if at all. The commencement and completion of trials can be delayed for a variety of reasons, including delays related to:

obtaining regulatory approval to commence a trial;

identifying appropriate trial sites and reaching agreement on acceptable terms with prospective CROs, trial sites and investigators, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs, trial sites and investigators;

manufacturing sufficient quantities of a product candidate;

obtaining institutional review board, or IRB, approval to conduct a trial at a prospective site;

recruiting and enrolling patients to participate in trials for a variety of reasons, including competition from other clinical trials for the same indication as our product candidates and the perception that the design of a trial or the proposed treatment regimen is less beneficial to patients than available alternatives; and

retaining patients who have initiated a trial but may be prone to withdraw due to side effects from the therapy, lack of efficacy or personal issues, or who are lost to further follow-up.

For example, in October 2007, we announced results of our phase 2b clinical trial of ANX-510, or CoFactor, for the first-line treatment of metastatic colorectal cancer, which demonstrated that the CoFactor/5-FU arm did not demonstrate statistically significant improved safety in the trial's primary endpoint. In November 2007, we announced that we would discontinue enrolling patients in our phase 3 clinical trial of CoFactor for the first-line treatment of metastatic colorectal cancer and, in October 2008, we announced that we had discontinued active work on all product candidates other than ANX-530 and ANX-514, including CoFactor. In addition, in May 2009, we announced that we did not meet the primary endpoint in our bioequivalence study of ANX-514, resulting in additional uncertainty around the cost and timeline to obtaining FDA approval for that product candidate.

In addition, a trial may be suspended or terminated by us, the FDA or other regulatory authorities due to a number of factors, including:

failure to conduct the trial in accordance with regulatory requirements or the trial's protocol;

inspection of trial operations or trial sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;

**Table of Contents**

unforeseen safety issues; or

lack of adequate funding to continue the trial.

Additionally, changes in regulatory requirements and guidance relating to clinical trials may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to institutional review boards, or IRBs, for reexamination or renegotiate terms with CROs, trial sites and clinical investigators, all of which may impact the costs, timing or successful completion of a clinical trial.

There can be no assurance that our preclinical and nonclinical testing and bioequivalence and/or clinical trials will commence or be completed, that we will make regulatory submissions or receive regulatory approvals as planned or that we will be able to adhere to our current schedule for the development or commercialization of any of our product candidates. If we experience delays in completion of, or if we terminate, our bioequivalence or clinical trials or preclinical and nonclinical testing, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenues will be delayed. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of bioequivalence or clinical trials or preclinical and nonclinical testing may also ultimately lead to the denial of regulatory approval of a product candidate. Even if we are able to ultimately commercialize our product candidates, other therapies for the same indications may have been introduced to the market and established a competitive advantage.

***Positive results in our preclinical testing and/or bioequivalence trials do not ensure that future bioequivalence or clinical trials will be successful or that our product candidates will receive the regulatory approvals necessary for their commercialization.***

Before obtaining regulatory approvals for the commercial sale of any of our product candidates, we must demonstrate through preclinical testing and bioequivalence or clinical trials that each product is safe and effective for use in each target indication. Success in preclinical testing and/or bioequivalence trials does not ensure that subsequent or large-scale trials will be successful. Additionally, throughout development, we must provide adequate assurance to the FDA and other regulatory authorities that we can consistently produce our product candidates in conformance with current good manufacturing practices, or cGMP, and other regulatory standards. Bioequivalence and clinical trial results are frequently susceptible to varying interpretations and regulatory authorities may disagree on what are appropriate methods for analyzing data, any of which may delay, limit or prevent regulatory approvals. For instance, with respect to our bioequivalence trial of ANX-530, the FDA may perform its pharmacokinetic equivalence analysis based a patient population other than the population on which we based our analysis, which may result in the FDA determining that ANX-530 and Navelbine® are not bioequivalent, requiring that we evaluate additional patients, re-perform the study or take other remedial action. In addition, the FDA may inquire regarding the manufacturing source, in-process and product release specifications and overall uniformity of reference product used in the bioequivalence trial of ANX-530, particularly since it was conducted at sites in multiple countries, and we may be unable to provide documentation satisfactory to the FDA with respect to such reference product, which may result in the FDA requiring that we evaluate additional patients, re-perform the study or take other remedial measures. Further, the ANX-530 bioequivalence trial was open-label, meaning physician-investigators, as well as patients, may have been aware of which drug was being administered. There is a risk of investigator bias in reporting adverse events as a result of the study's open-label nature, including bias that increased the reporting of adverse events associated with Navelbine and/or that decreased the reporting of adverse events associated with ANX-530. With respect to ANX-514, despite positive preclinical testing that indicated pharmacokinetic equivalence between ANX-514 and the reference product, our bioequivalence trial of ANX-514 did not demonstrate pharmacokinetic equivalence between ANX-514 and the reference product based on benchmark regulatory standards.

The length of time necessary to complete bioequivalence or clinical trials and manufacturing development work and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly and may be difficult to predict. In addition, delays or rejections may be encountered based upon changes in FDA policy for drug approval during the period of product development and FDA regulatory review of each submitted NDA. There is a significant risk that any of our product candidates could fail to show satisfactory results in human trials, as was the case in our bioequivalence study of ANX-514, or manufacturing development, and, as a result, we may not continue their development. A failure to obtain requisite regulatory approvals or to obtain approvals of the scope

requested will delay or preclude us from marketing our products or limit the commercial use of the products, and would have a material adverse effect on our business, financial condition and results of operations.

**Table of Contents**

***If any of our product candidates for which we receive regulatory approval do not achieve broad market acceptance (including as a result of failing to differentiate our products from competitor products or as a result of failing to obtain reimbursement rates for our products that are competitive from the healthcare provider's perspective), the revenues we generate from their sales will be limited and our business may not be profitable.***

Our success will depend in substantial part on the extent to which our products for which we obtain marketing approval from the FDA and comparable foreign regulatory authorities are accepted by the medical community and reimbursed by third-party payors, including government payors. The degree of market acceptance will depend upon a number of factors, including, among other things:

our product's perceived advantages over existing treatment methods (including relative convenience and ease of administration and prevalence and severity of any adverse side effects);

claims or other information (including limitations or warnings) in our product's approved labeling;

reimbursement and coverage policies of government and other third-party payors;

pricing and cost-effectiveness;

in the U.S., the ability of group purchasing organizations, or GPOs (including distributors and other network providers), to sell our products to their constituencies;

the establishment and demonstration in the medical community of the safety and efficacy of our products and our ability to provide acceptable evidence of safety and efficacy;

availability of alternative treatments; and

the prevalence of off-label substitution of chemically equivalent products.

We cannot predict whether physicians, patients, healthcare insurers or maintenance organizations, or the medical community in general, will accept or utilize any of our products. If our products are approved but do not achieve an adequate level of acceptance by these parties, we may not generate sufficient revenues from these products to become or remain profitable. In addition, our efforts to educate the medical community and third-party payors regarding the benefits of our products may require significant resources and may never be successful.

Under our Section 505(b)(2) regulatory strategy for ANX-530 and ANX-514, because we anticipate submitting Section 505(b)(2) NDAs based on pharmacokinetic data, our ability to differentiate our products from competitor products will be limited unless the FDA allows us to include certain data in our product's labels. Even if our products demonstrate clinical or pharmacoeconomic benefits, we may be unable to market our products based on these benefits. If we fail to obtain a unique Healthcare Common Procedure Coding System, or HCPCS, product code for ANX-530, it is unlikely we will be able to sell that product at a price that exceeds its manufacturing, marketing and distribution costs. Even if we obtain separate HCPCS codes for our products, if our products are perceived to provide little or no advantage relative to competitive products or for other reasons, we may be required to price our products at levels that do not cover our costs to manufacture, market and distribute the products or provide any profit, or to price our products at levels at which they are not competitive.

***We do not have manufacturing capabilities and are dependent on single source manufacturers and suppliers for certain of our product candidates and their component materials, and the loss of any of these manufacturers or suppliers, or their failure to provide us with an adequate supply of products or component materials on commercially acceptable terms, or at all, could harm our business.***

We do not have any manufacturing capability. We rely on third-party manufacturers and component materials suppliers for the manufacture of our product candidates for bioequivalence or clinical trial purposes and we



**Table of Contents**

anticipate establishing relationships with third-party manufacturers and component materials suppliers for the commercial production of our products. Currently we do not have any commercial supply agreements or commitments with our third-party manufacturers or component suppliers, and we cannot ensure that we will be able to establish relationships with these parties on commercially acceptable terms, or at all. If we fail to establish and maintain such relationships, we expect it would have a material and adverse effect on our operations. Even if we successfully establish relationships with third-party manufacturers and component suppliers on commercially acceptable terms, our manufacturers and suppliers may not perform as agreed or may terminate their agreements with us. Because many of our single source suppliers provide manufacturing services to a number of other pharmaceutical companies, our suppliers may experience capacity constraints or choose to prioritize one or more of their other customers over us. Any significant problem that our single source manufacturers or suppliers experience could delay or interrupt the supply to us of bioequivalence or clinical trial materials or products until the manufacturer or supplier cures the problem or until we locate an alternative source of supply, if an alternative source is available, and, as a result, any such delay or interruption could materially and adversely affect our development and commercial activities and operations.

For instance, ANX-530 is an emulsified cytotoxic product that must be aseptically-filled. There are a limited number of CMOs capable and willing to manufacture this type of product at the commercial scale at which we anticipate requiring in accordance with our marketing plans for ANX-530, which will make identifying and establishing short- or long-term relationships with willing manufacturers more difficult and provide them with substantial leverage over us in any negotiations. Furthermore, certain of the component materials of ANX-530 are available only from a particular supplier, and currently we do not have any short- or long-term agreements for the supply of those materials. Even if we successfully establish a long-term relationship with our current CMO for ANX-530 on commercially acceptable terms, our CMO may be unable to successfully and consistently manufacture ANX-530 at commercial scale. We and this manufacturer have limited experience manufacturing ANX-530, and the experience we and this manufacturer do have is limited to manufacturing a single engineering batch. Because data from a single bioequivalence trial of ANX-530 may be sufficient to support a Section 505(b)(2) NDA, our and our current contract manufacturer's ability to gain experience manufacturing ANX-530, in particular at various scales, has been limited. If our current CMO is unable to manufacture ANX-530 successfully and consistently at commercial scale and within established parameters, we may be unable to validate our manufacturing process, even if the FDA otherwise would approve our NDA, and therefore unable to sell ANX-530. Our current CMO has similarly limited experience with ANX-514.

All manufacturers of our products and product candidates must comply with cGMP requirements enforced by the FDA through its facilities inspection program, as well as applicable requirements of foreign regulatory authorities. These requirements include quality control, quality assurance and the maintenance of records and documentation. Manufacturers of our products and product candidates may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. While we or our representatives generally monitor and audit our manufacturer's systems, we have little control over our manufacturers' ongoing compliance with these regulations and standards. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval.

Furthermore, the manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up initial production. These problems include difficulties with production costs and yields, quality control, including stability of the product candidate and quality assurance testing and shortages of qualified personnel.

If our manufacturers were to encounter any of these difficulties or otherwise fail to comply with their contractual obligations, our ability to provide product candidates to patients in our bioequivalence or clinical trials may be jeopardized. Any delay or interruption in the supply of supplies could delay the completion of our trials, increase the costs associated with maintaining our development programs and, depending upon the period of delay, require us to commence new trials at significant additional expense or terminate the trials completely. We cannot ensure that

manufacturing or quality control problems will not arise in connection with the manufacture of our products or product candidates, or that third-party manufacturers will be able to maintain the necessary governmental licenses

**Table of Contents**

and approvals to continue manufacturing such products or product candidates. Any of the above factors could cause us to delay or suspend anticipated or on-going trials, regulatory submissions, required approvals or commercialization of our product candidates, entail higher costs or result in our being unable to effectively commercialize our products. Our dependence upon third parties for the manufacture of our products and product candidates may adversely affect our future costs and our ability to develop and commercialize our products and product candidates on a timely and competitive basis.

If any of our product candidates should be approved, any problems or delays experienced in their manufacturing processes may impair our ability to provide commercial quantities of the products, which would limit our ability to sell the products and would adversely affect our business. It could take significant time to redesign our manufacturing processes or identify alternative suppliers in response to problems we may encounter as we manufacture our products, if such alternative processes and suppliers are available at all. Even if we are able to identify alternative suppliers, they may be unwilling to manufacture our products on commercially reasonable terms. Neither ANX-530 nor ANX-514 have been manufactured at the scales we believe will be necessary to maximize their commercial value to us and, accordingly, we may encounter difficulties in production while scaling-up initial production and may not be successful at all in scaling-up initial production.

Any new supplier of products or component materials, including API, would be required to qualify under applicable regulatory requirements and would need to have sufficient rights under applicable intellectual property laws to the method of manufacturing such products or ingredients. The FDA may require us to conduct additional bioequivalence or clinical trials, collect stability data and provide additional information concerning any new supplier, or change in a validated manufacturing process, before we could distribute products from that supplier or revised process. Obtaining the necessary FDA approvals or other qualifications under applicable regulatory requirements and ensuring non-infringement of third-party intellectual property rights could result in a significant interruption of supply and could require the new supplier to bear significant additional costs which may be passed on to us. For instance, with respect to ANX-530, the form of API used in the manufacture of ANX-530 for purposes of our bioequivalence study of ANX-530 will not be the same form of API used in the manufacture of ANX-530 for purposes of process validation batches or commercial supply. To ensure the comparability of the ANX-530 used in the bioequivalence study and the ANX-530 intended for commercial sale, FDA may require that we evaluate both forms of ANX-530 in additional patients, re-perform the bioequivalence study or take other remedial actions. We may have insufficient quantities of both forms of ANX-530 and could incur substantial cost and delay in acquiring such quantities, in addition to the time and expense associated with conducting the evaluation, re-performing the study or taking other remedial measures.

***We rely in part on third parties to conduct our preclinical and nonclinical testing and bioequivalence and clinical studies and other aspects of our development programs and if those third parties do not satisfactorily perform their contractual obligations or meet anticipated deadlines, the development of our product candidates could be adversely affected.***

We do not employ personnel or possess the facilities necessary to conduct the activities associated with our programs, particularly since we implemented severe cost-cutting measures in late 2008 and early 2009. We engage consultants, advisors, CROs, CMOs and others to design and conduct preclinical and nonclinical tests and bioequivalence and clinical studies in connection with the research and development of our product candidates. As a result, many important aspects of our product candidates' development are outside our direct control. There can be no assurance that such third parties will perform all of their obligations under arrangements with us or will perform those obligations satisfactorily.

The CROs with which we contract for execution of our bioequivalence and clinical studies play a significant role in the conduct of the studies and subsequent collection and analysis of data, and we will likely depend on these and other CROs and clinical investigators to conduct our future bioequivalence or clinical or studies or assist with our on-going bioequivalence studies. Individuals working at the CROs with which we contract, as well as investigators at the sites at which our studies are conducted, are not our employees, and we cannot control the amount or timing of resources that they devote to our programs. If these CROs fail to devote sufficient time and resources to our studies, or if their performance is substandard, it will delay the approval of our applications to regulatory agencies and the introduction of our products. Failure of these CROs to meet their obligations could adversely affect development of our product

candidates. Moreover, these CROs may have relationships with other commercial entities, some of which may compete with us. If they assist our competitors at our expense, it could harm our competitive position.

**Table of Contents**

For instance, we lack the internal capabilities to fully analyze the data from our bioequivalence study of ANX-514 and will rely on multiple third-party consultants to help us interpret and understand the data. Because of the impact different analyses of the data may have on our business, we believe an employee likely would approach the data and analysis in a substantially more rigorous, thoughtful and creative manner than a consultant or contractor.

***We currently have no sales or marketing capability and our failure to develop these and related capabilities internally or contract with third parties to perform these activities successfully could delay and/or limit our ability to generate revenues in the event one or more of our product candidates obtains regulatory approval.***

We currently do not have sales, marketing or commercialization personnel. We have limited business development personnel. To commercialize our products, including ANX-530, we will have to acquire or develop sales, marketing and distribution capabilities, or rely on marketing partners or other arrangements with third parties for the marketing, distribution and sale of our products. There is no guarantee that we will be able to establish marketing, distribution or sales capabilities or make arrangements with third parties to perform those activities on terms satisfactory to us, or that any internal capabilities or third party arrangements will be cost-effective. The acquisition or development of a sales and distribution and associated regulatory compliance infrastructure will require substantial resources, which may divert the attention of our management and key personnel and negatively impact our product development efforts. In addition, any third parties with which we establish marketing, distribution or sales arrangements may have significant control over important aspects of the commercialization of our products, including market identification, marketing methods, pricing, composition of sales force and promotional activities. If we retain third-party service providers to perform functions related to the sale and distribution of our products, key aspects of those functions that would be out of our direct control could include warehousing and inventory management, distribution, contract administration and chargeback processing, accounts receivable management and call center management. In this event, we would place substantial reliance on third-party providers to perform services for us, including entrusting our inventories of products to their care and handling. If these third-party service providers fail to comply with applicable laws and regulations, fail to meet expected deadlines, or otherwise do not carry out their contractual duties to us, or encounter natural or other disasters at their facilities, our ability to deliver product to meet commercial demand could be significantly impaired. In addition, we may use third parties to perform various other services for us relating to sample accountability and regulatory monitoring, including adverse event reporting, safety database management and other product maintenance services. If the quality or accuracy of the data maintained by these service providers is insufficient, our ability to continue to market our products could be jeopardized or we could be subject to regulatory sanctions. We do not currently have the internal capacity to perform these important commercial functions, and we may not be able to maintain commercial arrangements for these services on reasonable terms, or at all. Even if we are successful in establishing and maintaining these arrangement, there can be no assurance that we will be able to control the amount and timing of resources that any third party may devote to our products or prevent any third party from pursuing alternative technologies or products that could result in the development of products that compete with, or the withdrawal of support for, our products.

***If we receive regulatory approval for one or more of our product candidates, we may face competition from generic products, which could exert downward pressure on the pricing and market share of our products and limit our ability to generate revenues.***

Many of the currently marketed and anticipated products against which our product candidates may compete are, or we anticipate will be, available as generics. For instance, ANX-530 will compete against Navelbine, for which generic equivalents are already available. ANX-514 will compete against Taxotere®. We anticipate that ANX-514 will also compete against other formulations of docetaxel and that generic Taxotere will enter the market in November 2013 or May 2014 (depending on whether a period of pediatric exclusivity is granted in the future). Even if we obtain unique HCPCS codes for our products, the existence of generic products could make it more difficult for our branded products, including ANX-530 and ANX-514, to gain or maintain market share and could cause prices for our products to drop, each of which could adversely affect our business.

We may also face competition for our products from lower priced products from foreign countries that have placed price controls on pharmaceutical products. Proposed federal legislative changes may expand consumers' ability to import lower priced versions of our and competing products from Canada. Further, several states and local

governments have implemented importation schemes for their citizens, and, in the absence of federal action to

**Table of Contents**

curtail such activities, we expect other states and local governments to launch importation efforts. The importation of foreign products that compete with our own products could negatively impact our business and prospects.

***Even if we receive regulatory approval in the U.S. for ANX-530 and/or ANX-514, we will likely depend on a limited number of group purchasing organizations for retail distribution of these products, and if we subsequently lose any significant GPO relationship, our business could be harmed.***

Our current U.S. commercialization strategy for our lead emulsion formulations initially involves marketing and selling these products through a limited number of GPOs. Even if we are successful in securing relationships with these entities, the subsequent loss of any one or more of these GPO accounts or a material reduction in their participation could harm our business, financial condition or results of operations. In addition, we may face pricing pressure from these GPOs.

***Even if we receive regulatory approval for one or more of our product candidates, they may still face future development and regulatory difficulties that could materially and adversely affect our business, financial condition and results of operations and cause our stock price to decline.***

Even if initial regulatory approval is obtained, the FDA or a foreign regulatory agency may still impose significant restrictions on a product's indicated uses or marketing or impose ongoing requirements for potentially costly post-approval studies or marketing surveillance programs. Our product candidates will also be subject to ongoing FDA requirements related to the labeling, packaging, storage, advertising, promotion, record-keeping and submission of safety and other post-market information on the product. For instance, in September 2007, amendments to the FDCA were signed into law. These amendments significantly strengthen the FDA's regulatory authority over drugs, including new controls over the post-approval monitoring of drugs. The FDA may now require changes to approved drug labels, require post-approval clinical trials and impose distribution and use restrictions on certain drugs. In addition, approved products, manufacturers and manufacturers' facilities are subject to continuing regulatory review and periodic inspections. If previously unknown problems with a product are discovered, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, the FDA may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we or a CMO of ours fail to comply with applicable regulatory requirements, a regulatory agency may:

issue warning letters or untitled letters;

impose civil or criminal penalties;

suspend or withdraw regulatory approval;

suspend or terminate any ongoing bioequivalence or clinical trials;

refuse to approve pending applications or supplements to approved applications;

impose restrictions or affirmative obligations on our or our CMO's operations, including costly new manufacturing requirements;

close the facilities of a CMO; or

seize or detain products or require a product recall.

***Even if one or more of our product candidates receive regulatory approval in the U.S., we may never receive approval or commercialize our products outside of the U.S., which would limit our ability to realize the full market potential of our product candidates.***

In order to market any products outside of the U.S., we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. In particular,

other countries may not have a comparable regulatory as is available under Section 505(b)(2) of FDCA. Even if a



## **Table of Contents**

country did have a comparable procedure, that country may require a more robust data package than the pharmacokinetic data package that we intend to submit in support of NDAs for ANX-530 and ANX-514. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the U.S., as well as other risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval could have the same adverse effects detailed above regarding FDA approval in the U.S. As described above, such effects include the risks that our product candidates may not be approved for all indications requested, which could limit the uses of our product candidates and have an adverse effect on product sales, and that such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post-marketing follow-up studies.

***Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval or commercialization.***

Undesirable side effects caused by our product candidates could interrupt, delay or halt bioequivalence or clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all indications, and in turn prevent us from commercializing our product candidates and generating revenues from their sale.

In addition, if any of our product candidates receive marketing approval and we or others later identify undesirable side effects caused by the product or the reference product:

- regulatory authorities may require the addition of labeling statements, such as a black box warning or a contraindication;

- regulatory authorities may withdraw their approval of the product;

- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product; and

- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product, which in turn could delay or prevent us from generating significant revenues from its sale.

### **Risks Related to Our Intellectual Property**

***Our success will depend on patents and other protection we obtain on our product candidates and proprietary technology.***

Our success will depend in part on our ability to:

- obtain and maintain patent protection with respect to our products;

- prevent third parties from infringing upon our proprietary rights;

- maintain trade secrets;

- operate without infringing upon the patents and proprietary rights of others; and

- obtain appropriate licenses to patents or proprietary rights held by third parties if infringement would otherwise occur, both in the U.S. and in foreign countries.

The patent and intellectual property positions of biopharmaceutical companies, including ours, are uncertain and involve complex legal and factual questions. There is no guarantee that we have or will develop or obtain the rights to products or processes that are patentable, that patents will issue from any pending applications or that claims



**Table of Contents**

allowed will be sufficient to protect the technology we develop or have developed or that is used by us, our CMOs or our other service providers. In addition, we cannot be certain that patents issued to us will not be challenged, invalidated, infringed or circumvented, including by our competitors, or that the rights granted thereunder will provide competitive advantages to us.

Furthermore, patent applications in the U.S. are confidential for a period of time until they are published, and publication of discoveries in scientific or patent literature typically lags actual discoveries by several months. As a result, we cannot be certain that the inventors listed in any patent or patent application owned by us were the first to conceive of the inventions covered by such patents and patent applications or that such inventors were the first to file patent applications for such inventions.

We may also rely on unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position, which we seek to protect, in part, by confidentiality agreements with employees, consultants, collaborators and others. We also have invention or patent assignment agreements with our employees and certain consultants. There can be no assurance, however, that binding agreements will not be breached, that we will have adequate remedies for any breach, or that trade secrets will not otherwise become known or be independently discovered by competitors. In addition, there can be no assurance that inventions relevant to us will not be developed by a person not bound by an invention assignment agreement with us.

***Exclusivity for our emulsion-formulation product candidates may be limited because of the nature of patent protection available for these candidates.***

While the patent applications covering our emulsion-formulation product candidates, including ANX-530 and ANX-514, include product claims, they cover only specific formulations of the underlying chemical entity, or API, and not the API itself. Such product claims are not as strong as claims covering new APIs, which are widely viewed as the strongest form of intellectual property protection for pharmaceutical products, as they apply without regard to how the API is formulated or the method in which the API is used. A competitor may modify our formulations and obtain regulatory approval for products with the same API as our products. Such competitive products may not infringe the patents we hold covering our specific formulations of the API.

***If we are sued for infringing the proprietary rights of third parties, it will be costly and time consuming, and an unfavorable outcome would have an adverse effect on our business.***

Our commercial success depends on our ability and the ability of our CMOs and component suppliers to develop, manufacture, market and sell our products and product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are or may be developing products. As the biotechnology and pharmaceutical industry expands and more patents are issued, the risk increases that our products and product candidates may give rise to claims that our products or product candidates infringe the rights of others. Because patent applications can take many years to publish and issue, there may be currently pending applications, unknown to us, that may later result in issued patents that our products, product candidates or technologies infringe, or that the process of manufacturing our products or any of their respective component materials, or the component materials themselves, infringe.

We or our CMOs or component material suppliers may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights alleging that our products, product candidates and/or technologies infringe their intellectual property rights or that the process of manufacturing our products or any of their respective component materials, or the component materials themselves, infringe their intellectual property rights. If one of these patents was found to cover our products, product candidates, technologies or their uses, or any of the underlying manufacturing processes or components, we could be required to pay damages and could be unable to commercialize our products or use our technologies or methods unless we are able to obtain a license to the patent or intellectual property right. A license may not be available to us on acceptable terms, if at all. In addition, during litigation, a patent holder could obtain a preliminary injunction or other equitable remedy that could prohibit us from making, using or selling our products, technologies or methods.

In connection with any NDA that we file under Section 505(b)(2) of the FDCA, we may be required to notify third parties that we have certified to the FDA that any patents listed for the approved drug in the FDA's Orange Book



## **Table of Contents**

publication are invalid or will not be infringed by the manufacture, use or sale of our drug. If the third-party files a patent infringement lawsuit against us within 45 days of its receipt of notice of our certification, the FDA is automatically prevented from approving our Section 505(b)(2) NDA until, subject to certain adjustments, the earliest of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to us. Accordingly, we may invest significant time and expense in the development of our product candidates, including ANX-514, only to be subject to significant delay and patent litigation before our product candidates may be commercialized.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries generally. If a third party claims that we or our CMOs or component material suppliers infringe its intellectual property rights, we may face a number of issues, including, but not limited to:

- infringement and other intellectual property claims which, with or without merit, may be expensive and time consuming to litigate and may divert our management's attention from our core business;

- substantial damages for infringement, including treble damages and attorneys' fees, which we may have to pay if a court decides that the product at issue infringes on or violates the third party's rights;

- a court prohibiting us from selling or licensing the product unless the third party licenses its product rights to us, which it may not be required to do;

- if a license is available from the third party, we may have to pay substantial royalties, fees and/or grant cross-licenses to our products; and

- redesigning our products or processes so they do not infringe, which may not be possible or may require substantial funds and time.

No assurance can be given that patents do not exist, have not been filed, or could not be filed or issued, which contain claims covering our products, technology or methods or those of our CMOs or component material suppliers. Because of the number of patents issued and patent applications filed in our field, we believe there is a risk that third parties may allege they have patent rights encompassing our products, technology or methods or those of our CMOs or component material suppliers.

In addition, it may be necessary for us to enforce patents under which we have rights, or to determine the scope, validity and unenforceability of other parties' proprietary rights, which may affect our rights. There can be no assurance that our patents would be held valid by a court or administrative body or that an alleged infringer would be found to be infringing. The uncertainty resulting from the mere institution and continuation of any technology-related litigation or interference proceeding could have a material and adverse effect on us.

### **RISKS RELATED TO OUR INDUSTRY**

***We expect intense competition in the marketplace for all of our product candidates.***

The industry in which we operate is highly competitive and rapidly changing. If successfully developed and approved, all of our products will likely compete with existing and new products and therapies and our competitors may succeed in commercializing products more rapidly or effectively than us, which would have a material and adverse effect on our results of operations and financial condition. In addition, there are numerous companies with a focus in oncology and/or that are pursuing the development of pharmaceuticals that target the same diseases as are targeted by the products being developed by us or that focus on reformulating currently approved drugs. We anticipate that we will face intense and increasing competition in the future as new products enter the market and advanced technologies become available. There is no assurance that existing products or new products developed by competitors will not be more effective, or more effectively marketed and sold, than those we may market and sell. Competitive products may render our products and product candidates obsolete or noncompetitive.

For instance, numerous companies are focused on reformulating currently approved chemotherapeutic agents. In particular, the taxanes, the class of drugs of which Taxotere is a member, have experienced substantial commercial success, in part as a result of their effectiveness in treating a wide variety of cancers, which has generated significant



**Table of Contents**

interest in reformulating Taxotere and other taxanes. In addition to our approach of emulsifying docetaxel, other companies are pursuing alternative delivery vehicles, including the use of albumin nanoparticles, prodrugs, polyglutamates, analogs, co-solvents, liposomes and microspheres. Many of these or similar approaches could be applied to vinorelbine. Relative to our formulations, formulations based on one or more of these other methods may result in greater efficacy or safety, provide better drug delivery to tumor sites or otherwise increase benefits to patients and healthcare providers.

In particular, ANX-530 and ANX-514, if approved, may compete against Navelbine and Taxotere, respectively, as well as their generic equivalents and other formulations of vinorelbine and docetaxel. In addition to Navelbine, currently there are at least 6 generic versions of vinorelbine on the market. In addition, there is an oral formulation of vinorelbine approved for use in the European Union, or EU, against which we would compete if our emulsion formulation of vinorelbine were approved for use in the EU. In the U.S., in May 2010 (but subject to any period of pediatric exclusivity that may be granted in the future), patent protection ends for docetaxel and, in November 2013 (but subject to any period of pediatric exclusivity that may be granted in the future), patent protection ends for Taxotere. We are aware of two leading generics companies that each have developed or acquired a formulation of docetaxel and have certified that, after May 2010, their respective formulations of docetaxel will not infringe any unexpired Taxotere patents.

Under our current regulatory strategy, because we anticipate submitting Section 505(b)(2) NDAs with only bioequivalence data, the ability to differentiate our products from competitor products will be limited. Even if we believe our products demonstrate clinical or pharmacoeconomic benefits, we may be unable to market our products based on these benefits. If our products fail to obtain unique HCPCS codes, we may be required to price our products at levels that do not cover our costs to manufacture, market and distribute the products or provide any profit, or to price our products at levels at which they are not competitive.

Companies likely to have products that will compete with our product candidates have significantly greater financial, technical and human resources and are better equipped to develop, manufacture, market and distribute products. Many of these companies have extensive experience in preclinical testing and clinical trials, obtaining FDA and other regulatory approvals and manufacturing and marketing products and have products that have been approved or are in late-stage development and operate large, well-funded research and development programs.

Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and biotechnology companies. Furthermore, academic institutions, government agencies and other public and private research organizations are becoming increasingly aware of the commercial value of their inventions and are actively seeking to commercialize the technology they have developed.

***We are subject to uncertainty relating to healthcare reform measures and reimbursement policies that, if not favorable to our products, could hinder or prevent our products' commercial success.***

Our ability to commercialize our products successfully will depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available from government health administration authorities, private health insurers and other third-party payors. Significant uncertainty exists as to the reimbursement status of newly approved medical products. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare may adversely affect:

our ability to set a price we believe is fair for our products;

our ability to generate revenues or achieve or maintain profitability;

the future revenues and profitability of our potential customers, suppliers and collaborators; and

the availability to us of capital.

If we are successful in obtaining FDA approval for ANX-530, we will compete with Navelbine and several generic versions of Navelbine. Our ability to commercialize ANX-530 will depend in part on the extent to which governmental authorities, private health insurers and other organizations establish appropriate coverage and





**Table of Contents**

reimbursement levels for the cost of our products and related treatments. These payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement, particularly for new therapeutic products or if there is a perception that the target indication of the new product is well-served by existing treatments. Accordingly, even if coverage and reimbursement are provided, market acceptance of our products would be adversely affected if the amount of coverage and/or reimbursement available for the use of our products proved to be unprofitable for healthcare providers or less profitable than alternative treatments.

There have been federal and state proposals to subject the pricing of healthcare goods and services to government control and to make other changes to the U.S. healthcare system. While we cannot predict the outcome of current or future legislation, we anticipate, particularly given President Obama's focus on healthcare reform, that Congress and state legislatures will introduce initiatives directed at lowering the total cost of healthcare. In addition, in certain foreign markets, the pricing of drugs is subject to government control and reimbursement may in some cases be unavailable or insufficient. It is uncertain if future legislative proposals, whether domestic or abroad, will be adopted that might affect our product candidates or what actions federal, state, or private payors for healthcare treatment and services may take in response to any such healthcare reform proposals or legislation. Any such healthcare reforms could have a material and adverse effect on the marketability of any products for which we ultimately receive FDA or other regulatory agency approval.

***We face potential product liability exposure and, if successful claims are brought against us, we may incur substantial liability for a product or product candidate and may have to limit its commercialization. In the future, we anticipate that we will need to obtain additional or increased product liability insurance coverage and it is uncertain that such increased or additional insurance coverage can be obtained on commercially reasonable terms.***

Our business (in particular, the use of our product candidates in clinical trials and the sale of our products for which we obtain marketing approval) will expose us to product liability risks. Product liability claims might be brought against us by patients, health care providers, pharmaceutical companies or others selling our products. If we cannot successfully defend ourselves against these claims, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

decreased demand for our products or product candidates;

impairment of our business reputation;

withdrawal of bioequivalence or clinical trial participants;

costs of related litigation;

substantial monetary awards to patients or other claimants;

loss of revenues; and

the inability to commercialize our products and product candidates.

We maintain limited product liability insurance for our bioequivalence and clinical trials, but our insurance coverage may not reimburse us or may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses.

We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval of any of our product candidates, but we may be unable to obtain product liability insurance on commercially acceptable terms or may not be able to maintain such insurance at a reasonable cost or in sufficient amounts to protect us against potential losses. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.



**Table of Contents**

**RISKS RELATED TO OUR COMMON STOCK**

***Our common stock may be delisted from the NYSE Amex if we fail to maintain compliance with continued listing criteria.***

Our common stock currently trades on the NYSE Amex. NYSE Amex will normally consider suspending dealings in, or removing from the list, securities of an issuer which has stockholders' equity of less than \$6.0 million if such issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years. As of March 31, 2009, our stockholders' equity was approximately \$3.0 million and we have incurred annual net losses since inception. In addition, NYSE Amex will normally consider suspending dealings in, or removing from the list, securities selling for a substantial period of time at a low price per share if the issuer fails to effect a reverse split of such stock within a reasonable time after being notified that the NYSE Amex deems such action to be appropriate under the circumstances. While the NYSE Amex does not provide bright line minimum share price standards for continued listing, we believe that a price less than \$1.00 per share for a substantial period of time will be investigated. Since October 1, 2007 through May 20, 2009, the closing price of a share of our common stock has been less than \$1.00. If we are unable to comply with the NYSE Amex's continued listing standards, including its stockholders' equity and minimum trading price requirements, our common stock may be suspended from trading on and/or delisted from the NYSE Amex. The delisting of our common stock from the NYSE Amex is likely to reduce the trading volume and liquidity in our common stock and may lead to further decreases in the trading price of our common stock. The delisting of our common stock may also materially impair our stockholders' ability to buy and sell shares of our common stock. In addition, the delisting of our common stock could significantly impair our ability to raise capital, which is critical to the continuation of our business.

***If our common stock were delisted and determined to be a penny stock, a broker-dealer may find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock in the secondary market.***

In addition, if our common stock were removed from listing with the NYSE Amex, it may be subject to the so-called penny stock rules. The SEC has adopted regulations that define a penny stock to be any equity security that has a market price per share of less than \$5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a penny stock, unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. If our common stock were delisted and determined to be a penny stock, a broker-dealer may find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock on the secondary market. Investors in penny stocks should be prepared for the possibility that they may lose their whole investment.

***The market price of our common stock has been and is likely to continue to be highly volatile.***

On October 1, 2007, the market price for our common stock dropped almost 80% following our announcement of the results of our phase 2b clinical trial of CoFactor for the first-line treatment of metastatic colorectal cancer. In addition, the market price for our common stock has historically been highly volatile, and the market for our common stock has from time to time experienced significant price and volume fluctuations that are unrelated to our operating performance. The market price of our common stock may fluctuate significantly in response to a number of factors, including:

the level of our financial resources and ability to continue as a going concern;

announcements of entry into or consummation of a financing or strategic transaction;

any decision by us to liquidate our assets and wind-up operations;

changes in the regulatory status of our product candidates, including results of our bioequivalence and clinical trials and other research and development programs;

FDA or international regulatory actions and regulatory developments in the U.S. and foreign countries;



**Table of Contents**

announcements of new products or technologies, commercial relationships or other events (including bioequivalence and clinical trial results and regulatory events and actions) by us or our competitors;

market conditions in the pharmaceutical, biopharmaceutical and biotechnology sectors;

developments concerning intellectual property rights generally or those of us or our competitors;

litigation or public concern about the safety of our products or product candidates;

changes in securities analysts' estimates of our financial performance or deviations in our business and the trading price of our common stock from the estimates of securities analysts;

events affecting any future collaborations, commercial agreements and grants;

fluctuations in stock market prices and trading volumes of similar companies;

sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders or pursuant to shelf or resale registration statements that register shares of our common stock that may be sold by certain of our current or future stockholders;

discussion of us or our stock price by the financial and scientific press and in online investor communities;

additions or departures of key personnel; and

changes in third party reimbursement policies.

As evidenced by the October 1, 2007 decline, the realization of any of the foregoing could have a dramatic and adverse impact on the market price of our common stock. In addition, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Moreover, regulatory entities often undertake investigations of investor transactions in securities that experience volatility following an announcement of a significant event or condition. Any such litigation brought against us or investigation involving our investors could result in substantial costs and a diversion of management's attention and resources, which could hurt our business, operating results and financial condition.

***Sales of substantial amounts of our common stock or the perception that such sales may occur could cause the market price of our common stock to drop significantly, even if our business is performing well.***

The market price of our common stock could decline as a result of sales by, or the perceived possibility of sales by, us or our existing stockholders of shares of our common stock. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. In addition, this shelf registration statement and our resale registration statements register a significant number of shares of our common stock, and securities convertible into our common stock, that may be sold by us or certain of our stockholders, which may increase the likelihood of sales by, or the perception of an increased likelihood of sales by, us or our existing stockholders of shares of our common stock.

***Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us, which may be beneficial to our stockholders, more difficult, which could depress our stock price. Alternatively, prohibitions on anti-takeover provisions in our charter documents may restrict us from acting in the best interests of our stockholders.***

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law and our charter documents as currently in effect may make a change in control of our company more difficult, even if a change in control would be beneficial to our stockholders. Our bylaws limit who may call a special meeting of stockholders and establish advance notice requirements for nomination of individuals for election to our board of directors or for proposing matters that can be acted upon at stockholders' meetings. Delaware law also prohibits corporations from engaging in a business

combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, the board of directors approves the transaction. Our board of directors

**Table of Contents**

may use these provisions to prevent changes in the management and control of our company. Also, under applicable Delaware law, our board of directors may adopt additional anti-takeover measures in the future. In addition, provisions of certain compensatory contracts with our management, such as equity award agreements and retention and incentive agreements with our executive officers, may have an anti-takeover effect by resulting in accelerated vesting of outstanding equity securities held by these officers and cash payments upon termination without cause or involuntary termination following a change in control.

In connection with a July 2005 private placement, we agreed with the investors in that transaction that we would not implement certain additional measures that would have an anti-takeover effect. As a result, under our amended and restated certificate of incorporation, we are prohibited from dividing our board of directors into classes and adopting or approving any rights plan, poison pill or other similar plan or device. A classified board of directors could serve to protect our stockholders against unfair treatment in takeover situations, by making it more difficult and time-consuming for a potential acquirer to take control of our board of directors. A company may also adopt a classified board of directors to ensure stability in the board of directors and thereby improve long-term planning, which may benefit stockholders. A poison pill or similar plan or device may encourage potential acquirers to discuss their intentions with the board of directors of a company and avoid the time, expense and distraction of a hostile take-over. Any benefit to us and our stockholders from instituting a classified board or adopting or approving a poison pill or similar plan or device in these and other circumstances is unavailable.

***Because we do not expect to pay dividends in the foreseeable future, you must rely on stock appreciation for any return on your investment.***

We have paid no cash dividends on any of our capital stock to date, and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future, and payment of cash dividends, if any, will also depend on our financial condition, results of operations, capital requirements and other factors and will be at the discretion of our board of directors. Furthermore, we are subject to various laws and regulations that may restrict our ability to pay dividends and we may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. Accordingly, the success of your investment in our capital stock will likely depend entirely upon any future appreciation and there is no guarantee that our capital stock will appreciate in value.

**Table of Contents**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, including the documents that we incorporate herein by reference, includes forward-looking statements within the meaning 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 fact, are statements that could be deemed forward-looking statements, including, but not limited to, statements regarding business strategy, expectations and plans, our objectives for future operations, including product development, and our future financial position. When used in this report, the words believe, may, could, will, estimate, continue, anticipate, expect, indicate and similar expressions are intended to identify forward-looking statements.

We base these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs, including our ability to consummate a strategic transaction or otherwise satisfy our immediate need for additional capital. These forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: the risk that we will liquidate our assets, entirely wind-down our operations and dissolve; the risk that, based on our current working capital, and the estimated costs associated with seeking approval for and implementing a plan of liquidation, our remaining capital available for distribution to our stockholders, if any, will be insignificant; the risk that we will be unable to consummate a strategic or partnering transaction or otherwise raise sufficient capital on a timely basis, or at all, to continue as a going concern, including as a result of negative perceptions of the data from our bioequivalence study of ANX-514; the risk that our recent cost-containment measures, including the discontinuation of substantially all of our development activities and fundamental business operations and reduction in force to a small, select number of full-time employees, will negatively impact our ability to consummate a strategic transaction; the potential for regulatory authorities to require additional preclinical work and/or clinical activities to support regulatory filings, including prior to the submission or the approval of a New Drug Application for ANX-530 and ANX-514, and the impact of increased uncertainty regarding the need for such activities on strategic, partnering and capital-raising transactions; the risk that our significantly reduced workforce and leadership by officers who do not have substantial previous experience in executive leadership roles will negatively impact our ability to attract a strategic or other partner, raise capital or maintain effective disclosure controls and procedures or internal control over financial reporting; the risk the FDA will determine that ANX-530 and Navelbine and/or ANX-514 and Taxotere are not bioequivalent, including as a result of performing pharmacokinetic equivalence analysis based on a patient population other than the population on which we based our analysis or determining that increased docetaxel blood-levels during and immediately following infusion are clinically relevant; the risk of investigator bias in reporting adverse events as a result of the open-label nature of the ANX-530 bioequivalence study, including bias that increased the reporting of adverse events associated with Navelbine and/or that decreased the reporting of adverse events associated with ANX-530; difficulties or delays in manufacturing, obtaining regulatory approval for and marketing ANX-530 and ANX-514, including validating commercial manufacturers and suppliers and the potential for automatic injunctions regarding FDA approval of ANX-514; the risk that the performance of third parties on whom we rely to conduct our studies or evaluate the data, including clinical investigators, expert data monitoring committees, contract laboratories and contract research organizations, may be substandard, or they may fail to perform as expected; the risk that our common stock will be delisted by the NYSE Amex (formerly, the American Stock Exchange), including as a result of failing to maintain sufficient stockholders' equity or a sufficient stock price; the risk that we are unable to file timely required reports with the SEC; the risk that we will trigger a maintenance failure under that certain Rights Agreement, dated July 27, 2005, as amended, and be required to pay liquidated damages, including as a result of losing our eligibility to use Form S-3 if our common stock is delisted from the NYSE Amex or we are not timely in our filings with the SEC; and other risks and uncertainties discussed under the heading "Risk Factors" in this prospectus and in other reports and documents we file with the SEC.

Any forward-looking statement speaks only as of the date on which it is made and, except as required by law, we do not intend to update any forward-looking statements publicly to reflect events or circumstances after the date on which such statement is made or to update the reasons actual results could differ materially from those anticipated in



the forward-looking statements, even if new information becomes available in the future. You should not place undue reliance on any forward-looking statement.

**Table of Contents**

**USE OF PROCEEDS**

Except as described in any prospectus supplement and any free writing prospectus in connection with a specific offering, we currently intend to use the net proceeds from the sale of the securities offered under this prospectus for general corporate purposes, including working capital. We may also use the net proceeds to repay any debts and/or invest in or acquire complementary businesses, products or technologies, although we have no current commitments or agreements with respect to any such investments or acquisitions as of the date of this prospectus. We have not determined the amount of net proceeds to be used specifically for the foregoing purposes. As a result, our management will have broad discretion in the allocation of the net proceeds and investors will be relying on the judgment of our management regarding the application of the proceeds of any sale of the securities. Pending use of the net proceeds, we intend to invest the proceeds in short-term, investment-grade, interest-bearing instruments.

When we offer a particular series of securities, we will describe the intended use of the net proceeds from that offering in a prospectus supplement. The actual amount of net proceeds we spend on a particular use will depend on many factors, including, our future capital expenditures, the amount of cash required by our operations, and our future revenue growth, if any. Therefore, we will retain broad discretion in the use of the net proceeds.

**Table of Contents**

**DESCRIPTION OF COMMON STOCK AND PREFERRED STOCK**

The following description of our common stock and preferred stock, together with any additional information we include in any applicable prospectus supplement or any related free writing prospectus, summarizes the material terms and provisions of our common stock and the preferred stock that we may offer under this prospectus. While the terms we have summarized below will apply generally to any future common stock or preferred stock that we may offer, we will describe the particular terms of any class or series of these securities in more detail in the applicable prospectus supplement. For the complete terms of our common stock and preferred stock, please refer to our amended and restated certificate of incorporation and our amended and restated bylaws that are incorporated by reference into the registration statement of which this prospectus is a part or may be incorporated by reference in this prospectus or any applicable prospectus supplement. The terms of these securities may also be affected by Delaware General Corporation Law. The summary below and that contained in any applicable prospectus supplement or any related free writing prospectus are qualified in their entirety by reference to our amended and restated certificate of incorporation and our amended and restated amended and restated bylaws.

**Common Stock**

We are authorized to issue 200,000,000 shares of common stock, par value \$0.001 per share, of which 90,252,572 shares were issued and outstanding as of May 20, 2009. Additional shares of authorized common stock may be issued, as authorized by our board of directors from time to time, without stockholder approval, except as may be required by applicable securities exchange requirements. The holders of common stock possess exclusive voting rights in us, except to the extent our board of directors specifies voting power with respect to any other class of securities issued in the future. Each holder of our common stock is entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors. Stockholders do not have any right to cumulate votes in the election of directors.

Subject to preferences that may be granted to the holders of preferred stock, each holder of our common stock is entitled to share ratably in distributions to stockholders and to receive ratably such dividends as may be declared by our board of directors out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, the holders of our common stock will be entitled to receive, after payment of all of our debts and liabilities and of all sums to which holders of any preferred stock may be entitled, the distribution of any of our remaining assets. Holders of our common stock have no conversion, exchange, sinking fund, redemption or appraisal rights (other than such as may be determined by our board of directors in its sole discretion) and have no preemptive rights to subscribe for any of our securities.

All of the outstanding shares of our common stock are, and the shares of common stock issued upon the conversion of any securities convertible into our common stock will be, fully paid and non-assessable. The shares of common stock offered by this prospectus or upon the conversion of any preferred stock or debt securities or exercise of any warrants offered pursuant to this prospectus, when issued and paid for, will also be, fully paid and non-assessable.

*Securities Exchange Listing*

Our common stock is listed on the NYSE Amex under the symbol ANX.

*Transfer Agent and Registrar*

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

**Preferred Stock**

We are authorized to issue 1,000,000 shares of preferred stock, par value \$0.001 per share, none of which are issued and outstanding as of the date of this prospectus. Our board of directors is authorized to classify or reclassify any unissued portion of our authorized shares of preferred stock to provide for the issuance of shares of other classes or series, including preferred stock in one or more series. We may issue preferred stock from time to time in one or more class or series, with the exact terms of each class or series established by our board of directors. Our board of directors may issue preferred stock with voting and other rights that could adversely affect the voting

**Table of Contents**

power of the holders of our common stock without seeking stockholder approval. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of the common stock and may adversely affect the voting power of holders of common stock and reduce the likelihood that common stockholders will receive dividend payments and payments upon liquidation.

The rights, preferences, privileges and restrictions of the preferred stock of each series will be fixed by the certificate of designation relating to each series. We will incorporate by reference into the registration statement of which this prospectus is a part the form of any certificate of designation that describes the terms of the series of preferred stock we are offering before the issuance of the related series of preferred stock. The applicable prospectus supplement will specify the terms of the series of preferred stock we are offering, including, but not limited to:

the distinctive designation and the maximum number of shares in the series;

the number of shares we are offering and purchase price per share;

the liquidation preference, if any;

the terms on which dividends, if any, will be paid;

the voting rights, if any, on the shares of the series;

the terms and conditions, if any, on which the shares of the series shall be convertible into, or exchangeable for, shares of any other class or classes of capital stock;

the terms on which the shares may be redeemed, if at all;

any listing of the preferred stock on any securities exchange or market;

a discussion of any material or special United States federal income tax considerations applicable to the preferred stock; and

any or all other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of the series.

The issuance of preferred stock may delay, deter or prevent a change in control.

The description of preferred stock above and the description of the terms of a particular series of preferred stock in any applicable prospectus supplement are not complete. You should refer to the applicable certificate of designation for complete information.

The General Corporation Law of the State of Delaware, the state of our incorporation, provides that the holders of preferred stock will have the right to vote separately as a class on any proposal involving fundamental changes in the rights of holders of that preferred stock. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation.

**Anti-Takeover Effects of Provisions of our Charter Documents and Delaware Law**

The following is a summary of certain provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws. This summary does not purport to be complete and is qualified in its entirety by reference to the corporate law of Delaware and our amended and restated certificate of incorporation and amended and restated bylaws.

*Certificate of Incorporation and Bylaws*

**Table of Contents**

*Preferred Stock.* Under our amended and restated certificate of incorporation, our board of directors has the power to authorize the issuance of up to 1,000,000 shares of preferred stock, all of which are currently undesignated, and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without further vote or action by our stockholders. The issuance of preferred stock may:

delay, defer or prevent a change in control;

discourage bids for our common stock at a premium over the market price of our common stock;

adversely affect the voting and other rights of the holders of our common stock; and

discourage acquisition proposals or tender offers for our shares and, as a consequence, inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts.

*Advance Notice Requirement.* Stockholder nominations of individuals for election to our board of directors and stockholder proposals of other matters to be brought before an annual meeting of our stockholders must comply with the advance notice procedures set forth in our amended and restated bylaws. Generally, to be timely, such notice must be received at our principal executive offices no later than the date specified in our proxy statement released to stockholders in connection with the preceding year's annual meeting of stockholders, which date shall be not earlier than the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting of stockholders.

*Special Meeting Requirements.* Our amended and restated bylaws provide that special meetings of our stockholders may only be called at the request of our board of directors, president (unless there is a chief executive officer who is not the president, in which case a special meeting may be called at any time by the chief executive officer and not the president) or chair of the board of directors. Only such business shall be considered at a special meeting as shall have been stated in the notice for such meeting.

*No Cumulative Voting.* Our amended and restated certificate of incorporation does not include a provision for cumulative voting for directors.

*Indemnification.* Our amended and restated certificate of incorporation and our bylaws, as amended, provide that we will indemnify our officers and directors against losses as they incur in investigations and legal proceedings resulting from their services to us, which may include service in connection with takeover defense measures.

*Delaware Anti-Takeover Statute.*

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits, with some exceptions, a publicly held Delaware corporation from engaging in a business combination with any interested stockholder for a period of three years following the date that stockholder became an interested stockholder, unless:

prior to that date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares of voting stock outstanding (but not the voting stock owned by the interested stockholder) those shares owned by persons who are directors and officers and by excluding employee stock plans in which employee participants do not have the right to determine whether shares held subject to the plan will be tendered in a tender or exchange offer; or

on or subsequent to that date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock that is not owned by the interested stockholder.



**Table of Contents**

Section 203 defines "business combination" to include any of the following:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an "interested stockholder" as any person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the determination of interested stockholder status did beneficially own, 15% or more of the outstanding voting stock of the corporation.

The above provisions may deter a hostile takeover or delay a change in control of management or us.

**DESCRIPTION OF DEBT SECURITIES**

**General**

The debt securities that we may issue may constitute debentures, notes, bonds or other evidences of indebtedness of ADVENTRX Pharmaceuticals, Inc., to be issued in one or more series, which may include senior debt securities, subordinated debt securities and senior subordinated debt securities. The particular terms of any series of debt securities we may offer, including the extent to which the general terms set forth below may be applicable to a particular series, will be described in a prospectus supplement relating to such series.

Debt securities that we may issue may be issued under a senior indenture between us and a trustee, or a subordinated indenture between us and a trustee (collectively, the "indenture"). We have filed forms of the indentures as exhibits to the registration statement of which this prospectus is a part. If we enter into any revised indenture or indenture supplement, we will file a copy of that supplement with the SEC.

THE FOLLOWING DESCRIPTION IS A SUMMARY OF THE MATERIAL PROVISIONS OF THE INDENTURE. IT DOES NOT RESTATE THE INDENTURE IN ITS ENTIRETY. THE INDENTURE IS GOVERNED BY THE TRUST INDENTURE ACT OF 1939. THE TERMS OF THE DEBT SECURITIES INCLUDE THOSE STATED IN THE INDENTURE AND THOSE MADE PART OF THE INDENTURE BY REFERENCE TO THE TRUST INDENTURE ACT. WE URGE YOU TO READ THE INDENTURE BECAUSE IT, AND NOT THIS DESCRIPTION, DEFINES YOUR RIGHTS AS A HOLDER OF THE DEBT SECURITIES.

The indenture contains no covenant or provision which affords debt holders protection in the event of a highly leveraged transaction.

**Information You Will Find in the Prospectus Supplement**

The indenture provides that we may issue debt securities from time to time in one or more series by resolution of our board of directors or by means of a supplemental indenture, and that we may denominate the debt securities and make them payable in foreign currencies. The indenture does not limit the aggregate principal amount of debt securities that can be issued thereunder. The prospectus supplement for a series of debt securities will provide information relating to the terms of the series of debt securities being offered, which may include:

the title and denominations of the debt securities of the series;

any limit on the aggregate principal amount of the debt securities of the series;

**Table of Contents**

the date or dates on which the principal and premium, if any, with respect to the debt securities of the series are payable or the method of determination thereof;

the rate or rates, which may be fixed or variable, at which the debt securities of the series shall bear interest, if any, or the method of calculating and/or resetting such rate or rates of interest;

the dates from which such interest shall accrue or the method by which such dates shall be determined and the basis upon which interest shall be calculated;

the interest payment dates for the series of debt securities or the method by which such dates will be determined, the terms of any deferral of interest and any right of ours to extend the interest payments periods;

the place or places where the principal and interest on the series of debt securities will be payable;

the terms and conditions upon which debt securities of the series may be redeemed, in whole or in part, at our option or otherwise;

our obligation, if any, to redeem, purchase, or repay debt securities of the series pursuant to any sinking fund or other specified event or at the option of the holders and the terms of any such redemption, purchase, or repayment;

the terms, if any, upon which the debt securities of the series may be convertible into or exchanged for other securities, including, among other things, the initial conversion or exchange price or rate and the conversion or exchange period;

if the amount of principal, premium, if any, or interest with respect to the debt securities of the series may be determined with reference to an index or formula, the manner in which such amounts will be determined;

if any payments on the debt securities of the series are to be made in a currency or currencies (or by reference to an index or formula) other than that in which such securities are denominated or designated to be payable, the currency or currencies (or index or formula) in which such payments are to be made and the terms and conditions of such payments;

any changes or additions to the provisions of the indenture dealing with defeasance, including any additional covenants that may be subject to our covenant defeasance option;

the currency or currencies in which payment of the principal and premium, if any, and interest with respect to debt securities of the series will be payable, or in which the debt securities of the series shall be denominated, and the particular provisions applicable thereto in accordance with the indenture;

the portion of the principal amount of debt securities of the series which will be payable upon declaration of acceleration or provable in bankruptcy or the method by which such portion or amount shall be determined;

whether the debt securities of the series will be secured or guaranteed and, if so, on what terms;

any addition to or change in the events of default with respect to the debt securities of the series;

the identity of any trustees, authenticating or paying agents, transfer agents or registrars;



the applicability of, and any addition to or change in, the covenants currently set forth in the indenture;

**Table of Contents**

the subordination, if any, of the debt securities of the series and terms of the subordination;

any other terms of the debt securities of the series; and

whether securities of the series shall be issuable as registered securities or bearer securities (with or without interest coupons), and any restrictions applicable to the offering, sale or delivery of such bearer securities and the terms upon which such bearer securities of a series may be exchanged for registered securities, and vice versa.

Holders of debt securities may present debt securities for exchange in the manner, at the places, and subject to the restrictions set forth in the debt securities, the indenture, and the prospectus supplement. We will provide these services without charge, other than any tax or other governmental charge payable in connection therewith, but subject to the limitations provided in the indenture, any board resolution establishing such debt securities and any applicable indenture supplement. Debt securities in bearer form and the coupons, if any, appertaining thereto will be transferable by delivery.

**Senior Debt**

We may issue senior debt securities under the indenture and any coupons that will constitute part of our senior debt. Unless otherwise set forth in the applicable indenture supplement or in any board resolution establishing such debt securities and described in a prospectus supplement, the senior debt securities will be senior unsecured obligations, ranking equally with all of our existing and future senior unsecured debt. The senior debt securities will be senior to all of our subordinated debt and junior to any secured debt we may incur as to the assets securing such debt.

**Subordinated Debt**

We may issue subordinated debt securities under the indenture and any coupons that will constitute part of such subordinated debt. These subordinated debt securities will be subordinate and junior in right of payment, to the extent and in the manner set forth in the indenture and any applicable indenture supplement, to all of our senior indebtedness.

If this prospectus is being delivered in connection with a series of subordinated debt securities, the accompanying prospectus supplement or the information incorporated by reference will set forth the approximate amount of senior indebtedness, if any, outstanding as of the end of our most recent fiscal quarter.

**Senior Subordinated Debt**

We may issue senior subordinated debt securities under the indenture and any coupons that will constitute part of our senior subordinated debt. These senior subordinated debt securities will be, to the extent and in the manner set forth in the indenture, subordinate and junior in right of payment to all of our senior indebtedness and senior to our other subordinated debt. See the discussions above under **Senior Debt** and **Subordinated Debt** for a more detailed explanation of our senior and subordinated indebtedness.

**Interest Rate**

Debt securities that bear interest will do so at a fixed rate or a floating rate. We may sell, at a discount below the stated principal amount, any debt securities which bear no interest or which bear interest at a rate that at the time of issuance is below the prevailing market rate. The relevant prospectus supplement will describe the special United States federal income tax considerations applicable to:

any discounted debt securities; and

any debt securities issued at par which are treated as having been issued at a discount for United States federal income tax purposes.

**Table of Contents**

**Registered Global Securities**

We may issue registered debt securities of a series in the form of one or more fully registered global securities. We will deposit the registered global security with a depository or with a nominee for a depository identified in the prospectus supplement relating to such series. The global security or global securities will represent and will be in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of outstanding registered debt securities of the series to be represented by the registered global security or securities. Unless it is exchanged in whole or in part for debt securities in definitive registered form, a registered global security may not be transferred, except as a whole in three cases:

by the depository for the registered global security to a nominee of the depository;

by a nominee of the depository to the depository or another nominee of the depository; and

by the depository or any nominee to a successor of the depository or a nominee of the successor.

The prospectus supplement relating to a series of debt securities will describe the specific terms of the depository arrangement concerning any portion of that series of debt securities to be represented by a registered global security. We anticipate that the following provisions will generally apply to all depository arrangements.

Upon the issuance of a registered global security, the depository will credit, on its book-entry registration and transfer system, the principal amounts of the debt securities represented by the registered global security to the accounts of persons that have accounts with the depository. These persons are referred to as participants. Any underwriters, agents or debtors participating in the distribution of debt securities represented by the registered global security will designate the accounts to be credited. Only participants or persons that hold interests through participants will be able to beneficially own interests in a registered global security. The depository for a global security will maintain records of beneficial ownership interests in a registered global security for participants. Participants or persons that hold through participants will maintain records of beneficial ownership interests in a global security for persons other than participants. These records will be the only means to transfer beneficial ownership in a registered global security.

The laws of some states may require that specified purchasers of securities take physical delivery of the securities in definitive form. These laws may limit the ability of those persons to own, transfer or pledge beneficial interests in global securities.

So long as the depository, or its nominee, is the registered owner of a registered global security, the depository or its nominee will be considered the sole owner or holder of the debt securities represented by the registered global security for all purposes under the indenture. Except as set forth below, owners of beneficial interests in a registered global security:

may not have the debt securities represented by a registered global security registered in their names;

will not receive or be entitled to receive physical delivery of debt securities represented by a registered global security in definitive form; and

will not be considered the owners or holders of debt securities represented by a registered global security under the indenture.

Accordingly, each person owning a beneficial interest in a registered global security must rely on the procedures of the depository for the registered global security and, if the person is not a participant, on the procedures of the participant through which the person owns its interests, to exercise any rights of a holder under the indenture applicable to the registered global security.

We understand that, under existing industry practices, if we request any action of holders, or if an owner of a beneficial interest in a registered global security desires to give or take any action which a holder is entitled to give or take under the indenture, the depository for the registered global security would authorize the participants holding

## **Table of Contents**

the relevant beneficial interests to give or take the action, and the participants would authorize beneficial owners owning through the participants to give or take the action or would otherwise act upon the instructions of beneficial owners holding through them.

### **Payment of Interest on and Principal of Registered Global Securities**

We will make principal, premium, if any, and interest payments on debt securities represented by a registered global security registered in the name of a depository or its nominee to the depository or its nominee as the registered owner of the registered global security. None of ADVENTRX, the trustee, or any paying agent for debt securities represented by a registered global security will have any responsibility or liability for:

any aspect of the records relating to, or payments made on account of, beneficial ownership interests in such registered global security;

maintaining, supervising, or reviewing any records relating to beneficial ownership interests;

the payments to beneficial owners of the global security of amounts paid to the depository or its nominee; or

any other matter relating to the actions and practices of the depository, its nominee or any of its participants.

We expect that the depository, upon receipt of any payment of principal, premium or interest in respect of the global security, will immediately credit participants' accounts with payments in amounts proportionate to their beneficial interests in the principal amount of a registered global security as shown on the depository's records. We also expect that payments by participants to owners of beneficial interests in a registered global security held through participants will be governed by standing instructions and customary practices. This is currently the case with the securities held for the accounts of customers registered in street name. Such payments will be the responsibility of participants.

### **Exchange of Registered Global Securities**

We may issue debt securities in definitive form in exchange for the registered global security if both of the following occur:

the depository for any debt securities represented by a registered global security is at any time unwilling or unable to continue as depository or ceases to be a clearing agency registered under the Exchange Act; and

we do not appoint a successor depository within 90 days.

In addition, we may, at any time, determine not to have any of the debt securities of a series represented by one or more registered global securities. In this event, we will issue debt securities of that series in definitive form in exchange for all of the registered global security or securities representing those debt securities.

### **Our Covenants**

The indenture includes covenants by us, including among other things that we will make all payments of principal and interest at the times and places required. The board resolution or supplemental indenture establishing each series of debt securities may contain additional covenants, including covenants which could restrict our right to incur additional indebtedness or liens and to take certain actions with respect to our businesses and assets.

### **Events of Default**

Unless otherwise indicated in the applicable prospectus supplement, the following will be events of default under the indenture with respect to each series of debt securities issued under the indenture:

**Table of Contents**

failure to pay when due any interest on any debt security of that series that continues for 30 days;

failure to pay when due the principal of, or premium, if any, on, any debt security of that series;

default in the payment of any sinking fund installment with respect to any debt security of that series when due and payable;

failure to perform any other covenant or agreement of ours under the indenture or the supplemental indenture with respect to that series or the debt securities of that series, continued for 90 days after written notice to us by the trustee or holders of at least 25% in aggregate principal amount of the outstanding debt securities of the series to which the covenant or agreement relates;

certain events of bankruptcy, insolvency or similar proceedings affecting us and our subsidiaries; and

any other event of default specified in any supplemental indenture under which such series of debt securities is issued.

Except as to certain events of bankruptcy, insolvency or similar proceedings affecting us and except as provided in the applicable prospectus supplement, if any event of default shall occur and be continuing with respect to any series of debt securities under the indenture, either the trustee or the holders of at least 25% in aggregate principal amount of outstanding debt securities of such series may accelerate the maturity of all debt securities of such series. Upon certain events of bankruptcy, insolvency or similar proceedings affecting us, the principal, premium, if any, and interest on all debt securities of each series shall be immediately due and payable.

After any such acceleration, but before a judgment or decree based on acceleration has been obtained by the trustee, the holders of a majority in aggregate principal amount of each affected series of debt securities may waive all defaults with respect to such series and rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal, have been cured, waived or otherwise remedied.

No holder of any debt securities will have any right to institute any proceeding with respect to the indenture or for any remedy under the indenture, unless such holder shall have previously given to the trustee written notice of a continuing event of default and the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the relevant series shall have made written request and offered indemnity satisfactory to the trustee to institute such proceeding as trustee, and the trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding debt securities of such series a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days. However, such limitations do not apply to a suit instituted by a holder of a debt security for enforcement of payment of the principal of and premium, if any, or interest on such debt security on or after the respective due dates expressed in such debt security.

**Supplemental Indentures**

We and the trustee may, at any time and from time to time, without prior notice to or consent of any holders of debt securities after issuance of such debt securities, enter into one or more supplemental indentures to, among other things:

add guarantees to or secure any series of debt securities;

add any additional Events of Default;

provide for the succession of another person pursuant to the provisions of the indenture relating to consolidations, mergers and sales of assets and the assumption by such successor of our covenants, agreements, and obligations, or to otherwise comply with the provisions of the indenture relating to consolidations, mergers, and sales of assets;

**Table of Contents**

surrender any right or power conferred upon us under the indenture or to add to our covenants further covenants, restrictions, conditions or provisions for the protection of the holders of all or any series of debt securities;

cure any ambiguity or to correct or supplement any provision contained in the indenture, in any supplemental indenture or in any debt securities that may be defective or inconsistent with any other provision contained therein, , so long as any such action does not adversely affect the interests of the holders of debt securities of any series in any material respect;

add or change or eliminate any of the provisions of the indenture to extent as shall be necessary to permit or facilitate the issuance of debt securities in bear form, registrable or not registrable as to principal, and with or without interest coupons;

add to or change any of the provisions of the indenture to permit the defeasance and discharge of any series of debt securities pursuant to the indenture;

change, or eliminate any of the provisions of the indenture provided that any such change or elimination shall become effective only when there are no debt securities outstanding of any series created prior to the execution of such supplemental indenture;

evidence and provide for the acceptance of appointment by a successor or separate trustee; and

establish the form or terms of debt securities of any series and to make any change that does not adversely affect the interests of the holders of debt securities.

With the consent of the holders of at least a majority in principal amount of debt securities of each series affected by such supplemental indenture (each series voting as one class), we and the trustee may enter into one or more supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the indenture or modifying in any manner the rights of the holders of debt securities of each such series.

Notwithstanding our rights and the rights of the trustee to enter into one or more supplemental indentures with the consent of the holders of debt securities of the affected series as described above, no such supplemental indenture to be entered into after issuance of the debt securities shall, without the consent of the holder of each outstanding debt security of the affected series, among other things:

change the final maturity of the principal of, or any installment of interest on, any debt securities;

reduce the principal amount of any debt securities or the rate of interest on any debt securities;

change the currency in which any debt securities are payable;

release any security interest that may have been granted with respect to such debt securities;

impair the right of the holders to conduct a proceeding for any remedy available to the trustee;

reduce the percentage in principal amount of any series of debt securities whose holders must consent to an amendment or supplemental indenture;

modify the ranking or priority of the securities;

reduce any premium payable upon the redemption of any debt securities or change the time at which any debt security may be redeemed; or

make any change that adversely affects the relative rights of holders of subordinated debt securities with respect to senior debt securities.

**Table of Contents**

**Satisfaction and Discharge of the Indenture; Defeasance**

Except to the extent set forth in a supplemental indenture with respect to any series of debt securities, we, at our election, may discharge the indenture and the indenture shall generally cease to be of any further effect with respect to that series of debt securities if (a) we have delivered to the trustee for cancellation all debt securities of that series (with certain limited exceptions) or (b) all debt securities of that series not previously delivered to the trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and we have deposited with the trustee the entire amount sufficient to pay at maturity or upon redemption all such debt securities.

In addition, we have a legal defeasance option (pursuant to which we may terminate, with respect to the debt securities of a particular series, all of our obligations under such debt securities and the indenture with respect to such debt securities) and a covenant defeasance option (pursuant to which we may terminate, with respect to the debt securities of a particular series, our obligations with respect to such debt securities under certain specified covenants contained in the indenture). If we exercise our legal defeasance option with respect to a series of debt securities, payment of such debt securities may not be accelerated because of an event of default. If we exercise our covenant defeasance option with respect to a series of debt securities, payment of such debt securities may not be accelerated because of an event of default related to the specified covenants.

We may exercise our legal defeasance option or our covenant defeasance option with respect to the debt securities of a series only if we irrevocably deposit in trust with the trustee cash or U.S. government obligations (as defined in the indenture) for the payment of principal, premium, if any, and interest with respect to such debt securities to maturity or redemption, as the case may be. In addition, to exercise either of our defeasance options, we must comply with certain other conditions, including the delivery to the trustee of an opinion of counsel to the effect that the holders of debt securities of such series will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred (and, in the case of legal defeasance only, such opinion of counsel must be based on a ruling from the Internal Revenue Service or other change in applicable Federal income tax law).

The trustee will hold in trust the cash or U.S. government obligations deposited with it as described above and will apply the deposited cash and the proceeds from deposited U.S. government obligations to the payment of principal, premium, if any, and interest with respect to the debt securities of the defeased series. In the case of subordinated debt securities, the money and U.S. government obligations held in trust will not be subject to the subordination provisions of the indenture.

**Mergers, Consolidations and Certain Sales of Assets**

Under the proposed form of indenture, we may not (1) consolidate with or merge into any other person or entity or permit any other person or entity to consolidate with or merge into us in a transaction in which we are not the surviving entity, or (2) transfer, lease or dispose of all or substantially all of our assets to any other person or entity unless:

the resulting, surviving or transferee entity shall be a corporation organized and existing under the laws of the United States or any state thereof and such resulting, surviving or transferee entity shall expressly assume, by supplemental indenture, all of our obligations under the debt securities and the indenture;

immediately after giving effect to such transaction (and treating any indebtedness which becomes an obligation of the resulting, surviving or transferee entity as a result of such transaction as having been incurred by such entity at the time of such transaction), no default or event of default would occur or be continuing; and

we shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the indenture.



## **Table of Contents**

### **Governing Law**

The indenture and the debt securities will be governed by the laws of the State of New York.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, incorporator or stockholder of ADVENTRX, as such, shall have any liability for any obligations of ADVENTRX under the debt securities or the indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation, solely by reason of his, her, or its status as director, officer, incorporator or stockholder of ADVENTRX. By accepting a debt security, each holder waives and releases all such liability, but only such liability. The waiver and release are part of the consideration for issuance of the debt securities. Nevertheless, such waiver may not be effective to waive liabilities under the federal securities laws and it has been the view of the SEC that such a waiver is against public policy.

### **Conversion or Exchange Rights**

Any debt securities issued under the indenture may be convertible into or exchangeable for shares of our equity securities. The terms and conditions of such conversion or exchange will be set forth in the applicable prospectus supplement. Such terms may include, among others, the following:

the conversion or exchange price;

the conversion or exchange period;

provisions regarding our ability or that of the holder to convert or exchange the debt securities;

events requiring adjustment to the conversion or exchange price; and

provisions affecting conversion or exchange in the event of our redemption of such debt securities.

### **Concerning the Trustee**

The indenture provides that there may be more than one trustee with respect to one or more series of debt securities. If there are different trustees for different series of debt securities, each trustee will be a trustee of a trust under a supplemental indenture separate and apart from the trust administered by any other trustee under such indenture. Except as otherwise indicated in this prospectus or any prospectus supplement, any action permitted to be taken by a trustee may be taken by the trustee only with respect to the one or more series of debt securities for which it is the trustee under an indenture. Any trustee under the indenture or a supplemental indenture may resign or be removed with respect to one or more series of debt securities. All payments of principal of, premium, if any, and interest on, and all registration, transfer, exchange, authentication and delivery of (including authentication and delivery on original issuance of the debt securities), the debt securities of a series will be effected by the trustee with respect to such series at an office designated by the trustee.

The indenture contains limitations on the right of the trustee, should it become a creditor of ADVENTRX, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. If the trustee acquires an interest that conflicts with any duties with respect to the debt securities, the trustee is required to either resign or eliminate such conflicting interest to the extent and in the manner provided by the indenture.

### **Limitations on Issuance of Bearer Debt Securities**

Debt securities in bearer form are subject to special U.S. tax requirements and may not be offered, sold, or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Investors should consult the relevant prospectus supplement, in the event that bearer debt securities are issued for special procedures and restrictions that will apply to such an offering.

**Table of Contents**

**DESCRIPTION OF WARRANTS**

We may issue warrants for the purchase of common stock, preferred stock or debt securities. Warrants may be offered independently or together with common stock, preferred stock or debt securities offered by any prospectus supplement and may be attached to or separate from those securities. While the terms we have summarized below will apply generally to any warrants that we may offer under this prospectus, we will describe in particular the terms of any series of warrants that we may offer in more detail in the applicable prospectus supplement and any applicable free writing prospectus. The terms of any warrants offered under a prospectus supplement may differ from the terms described below.

We will file as exhibits to the registration statement of which this prospectus is a part, or will incorporate by reference from another report that we file with the SEC, the form of warrant agreement, which may include a form of warrant certificate, that describes the terms of the of the particular series of warrants we are offering before the issuance of the related series of warrants. We may issue the warrants under a warrant agreement that we will enter into with a warrant agent to be selected by us. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any registered holders of warrants or beneficial owners of warrants. The following summary of material provisions of the warrants and warrant agreements are subject to, and qualified in their entirety by reference to, all the provisions of the warrant agreement and warrant certificate applicable to a particular series of warrants. We urge you to read the applicable prospectus supplement and any applicable free writing prospectus related to the particular series of warrants that we sell under this prospectus, as well as the complete warrant agreements and warrant certificates that contain the terms of the warrants.

The particular terms of any issue of warrants will be described in the prospectus supplement relating to the issue. Those terms may include:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies (including composite currencies) in which the price of such warrants may be payable;

the terms of the securities purchasable upon exercise of such warrants and the procedures and conditions relating to the exercise of such warrants;

the price at which the securities purchasable upon exercise of such warrants may be purchased;

the date on which the right to exercise such warrants will commence and the date on which such right shall expire;

any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;

if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;

if applicable, the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any;

the terms of any rights to redeem or call the warrants;

United States federal income tax consequences of holding or exercising the warrants, if material; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange or exercise of such warrants.

## **Table of Contents**

Each warrant will entitle its holder to purchase the principal amount of debt securities or the number of shares of preferred stock or common stock at the exercise price set forth in, or calculable as set forth in, the applicable prospectus supplement. Unless we otherwise specify in the applicable prospectus supplement, holders of the warrants may exercise the warrants at any time up to the specified time on the expiration date that we set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

We will specify the place or places where, and the manner in which, warrants may be exercised in the warrant agreement or warrant certificate and applicable prospectus supplement. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, issue and deliver the purchased securities. If less than all of the warrants represented by the warrant certificate are exercised, a new warrant certificate will be issued for the remaining amount of warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Prior to the exercise of any warrants to purchase common stock, preferred stock or debt securities, holders of the warrants will not have any of the rights of holders of the common stock, preferred stock or debt securities purchasable upon exercise, including (i) in the case of warrants for the purchase of common stock or preferred stock, the right to vote or to receive any payments of dividends or payments upon our liquidation, dissolution or winding up on the common stock or preferred stock purchasable upon exercise, if any; or (ii) in the case of warrants for the purchase of debt securities, the right to receive payments of principal of, any premium or interest on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture.

### **DESCRIPTION OF UNITS**

The following description, together with the additional information we may include in any applicable prospectus supplement, summarizes the material terms and provisions of the units that we may offer under this prospectus. While the terms we have summarized below will apply generally to any units that we may offer under this prospectus, we will describe the particular terms of any series of units in more detail in the applicable prospectus supplement. The terms of any units offered under a prospectus supplement may differ from the terms described below. However, no prospectus supplement will fundamentally change the terms that are set forth in this prospectus or offer a security that is not registered and described in this prospectus at the time of its effectiveness.

We will file with the SEC, the form of unit agreement that describes the terms of the series of units we are offering, and any supplemental agreements, before the issuance of the related series of units. The following summaries of material terms and provisions of the units are subject to, and qualified in their entirety by reference to, all the provisions of the unit agreement and any supplemental agreements applicable to a particular series of units. We urge you to read the applicable prospectus supplements related to the particular series of units that we sell under this prospectus, as well as the complete unit agreement and any supplemental agreements that contain the terms of the units.

#### **General**

We may issue units comprised of one or more debt securities, shares of common stock, shares of preferred stock and warrants in any combination. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

We will describe in the applicable prospectus supplement the terms of the series of units, including, but not limited to:

**Table of Contents**

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any provisions of the governing unit agreement that differ from those described below; and

any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units.

The provisions described in this section, as well as those described under Description of Common Stock and Preferred Stock, Description of Debt Securities and Description of Warrants will apply to each unit and to any common stock, preferred stock, debt security or warrant included in each unit, respectively.

**Issuance in Series**

We may issue units in such amounts and in numerous distinct series as we determine.

**Enforceability of Rights by Holders of Units**

Each unit agent will act solely as our agent under the applicable unit agreement and will not assume any obligation or relationship of agency or trust with any holder of any unit. A single bank or trust company may act as unit agent for more than one series of units. A unit agent will have no duty or responsibility in case of any default by us under the applicable unit agreement or unit, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a unit may, without the consent of the related unit agent or the holder of any other unit, enforce by appropriate legal action its rights as holder under any security included in the unit.

We, the unit agents and any of their agents may treat the registered holder of any unit certificate as an absolute owner of the units evidenced by that certificate for any purpose and as the person entitled to exercise the rights attaching to the units so requested, despite any notice to the contrary.

**Table of Contents**

**PLAN OF DISTRIBUTION**

We may sell the securities to or through underwriters or dealers, through agents, or directly to one or more purchasers. A prospectus supplement or supplements (and any related free writing prospectus that we may authorize to be provided to you) will describe the terms of the offering of the securities, including, to the extent applicable the name or names of any agents or underwriters;

the purchase price of the securities being offered and the proceeds we will receive from the sale;

any over-allotment options under which underwriters may purchase additional securities from us;

any agency fees or underwriting discounts and other items constituting agents or underwriters compensation;

any public offering price;

any discounts or concessions allowed or reallocated or paid to dealers; and

any securities exchanges or markets on which such securities may be listed.

We may distribute the securities from time to time in one or more transactions at:

fixed price or prices, which may be changed from time to time;

market prices prevailing at the time of sale;

prices related to such prevailing market prices; or

negotiated prices.

**Agents**

We may designate agents who agree to use their reasonable efforts to solicit purchases of our securities for the period of their appointment or to sell our securities on a continuing basis. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the applicable prospectus supplement.

**Underwriters**

If we use underwriters for a sale of securities, the underwriters will acquire the securities for their own account. The underwriters may resell the securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the securities will be subject to the conditions set forth in the applicable underwriting agreement. Subject to certain conditions, the underwriters will be obligated to purchase all the securities of the series offered if they purchase any of the securities of that series. We may change from time to time any public offering price and any discounts or concessions the underwriters allow or reallocate or pay to dealers. We may use underwriters with whom we have a material relationship. We will describe the nature of any such relationship in any applicable prospectus supplement naming any such underwriter. Only underwriters we name in the prospectus supplement are underwriters of the securities offered by the prospectus supplement.

We may provide agents and underwriters with indemnification against civil liabilities related to offerings under this prospectus, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities.

**Direct Sales**

We may also sell securities directly to one or more purchasers without using underwriters or agents. Underwriters, dealers and agents that participate in the distribution of the securities may be underwriters as defined in the Securities Act, and any discounts or commissions they receive from us and any profit on their resale of the securities may be treated as underwriting discounts and commissions under the Securities Act. We will identify in



**Table of Contents**

the applicable prospectus supplement any underwriters, dealers or agents and will describe their compensation. We may have agreements with the underwriters, dealers and agents to indemnify them against specified civil liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with or perform services for us in the ordinary course of their businesses.

**Trading Markets and Listing of Securities**

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no established trading market, other than our common stock, which is currently listed on the NYSE Amex. We may elect to list any other class or series of securities on any exchange or market, but we are not obligated to do so. It is possible that one or more underwriters may make a market in a class or series of securities, but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We cannot give any assurance as to the liquidity of the trading market for any of the securities.

**Stabilization Activities**

Any underwriter may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of these activities at any time.

**Passive Market Making**

Any underwriters who are qualified market makers on the NYSE Amex may engage in passive market making transactions in the securities on the NYSE Amex in accordance with Rule 103 of Regulation M, during the business day prior to the pricing of the offering, before the commencement of offers or sales of the securities. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security. If all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded.



**Table of Contents**

**LEGAL MATTERS**

The validity of the securities being offered by this prospectus will be passed upon for us by DLA Piper LLP (US), San Diego, California. If the validity of any securities is also passed upon by counsel any underwriters, dealers or agents, that counsel will be named in the prospectus supplement relating to that specific offering.

**EXPERTS**

The consolidated financial statements and schedule of ADVENTRX Pharmaceuticals, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive loss and cash flows for the years then ended and for the period from January 1, 2002 through December 31, 2008 have been incorporated by reference herein and in the registration statement in reliance upon the report of J.H. Cohn LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information electronically with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. You can request copies of these documents by writing to the SEC and paying a fee for the copying costs. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. The SEC's Internet site can be found at <http://www.sec.gov>. In addition, we make available on or through our Internet site copies of these reports as soon as reasonably practicable after we electronically file or furnish them to the SEC. Our Internet site can be found at <http://www.adventrx.com>.

**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

We are allowed to incorporate by reference information contained in documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents and that the information in this prospectus is not complete. You should read the information incorporated by reference for more detail. We incorporate by reference in two ways. First, we list below certain documents that we have already filed with the SEC. The information in these documents is considered part of this prospectus. Second, the information in documents that we file in the future will update and supersede the current information in, and be incorporated by reference in, this prospectus.

We incorporate by reference into this prospectus the documents listed below, any filings we make with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the initial registration statement of which this prospectus is a part and prior to the effectiveness of the registration statement, and any filings we make with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus until the termination of this offering (in each case, except for the information furnished under Item 2.02 or Item 7.01 in any current report on Form 8-K and Form 8-K/A):

our annual report on Form 10-K for the year ended December 31, 2008 filed with the SEC on March 27, 2009 (File No. 001-32157-09708145);

the information specifically incorporated by reference into our annual report on Form 10-K for the year ended December 31, 2008 from our definitive proxy statement on Schedule 14A filed with the SEC on April 30, 2009 (File No. 001-32157-09781242);

our quarterly report on Form 10-Q for the quarterly period ended March 31, 2009 filed with the SEC on May 15, 2009 (File No. 001-32157-09829059);

our current report on Form 8-K filed with the SEC on January 2, 2009 (File No. 001-32157-09501628);

**Table of Contents**

our current report on Form 8-K filed with the SEC on January 5, 2009 (File No. 001-32157-09505346);  
our current report on Form 8-K filed with the SEC on January 8, 2009 (File No. 001-32157-09516181);  
our current report on Form 8-K filed with the SEC on February 2, 2009 (File No. 001-32157-09561715);  
our current report on Form 8-K filed with the SEC on February 5, 2009 (File No. 001-32157-09573163);  
our current report on Form 8-K filed with the SEC on February 10, 2009 (File No. 001-32157-09583495);  
our current report on Form 8-K filed with the SEC on March 20, 2009 (File No. 001-32157-09696365);  
our current report on Form 8-K filed with the SEC on March 25, 2009 (File No. 001-32157-09702853);  
our current report on Form 8-K filed with the SEC on March 25, 2009 (File No. 001-32157-09702857);  
our current report on Form 8-K filed with the SEC on May 7, 2009 (File No. 001-32157-09806033); and

the description of our common stock contained in our registration statement on Form 8-A filed with the SEC on April 27, 2004 (File No. 001-32157-041020580).

We will provide each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference into this prospectus but not delivered with this prospectus upon written or oral request at no cost to the requester. Requests should be directed to: ADVENTRX Pharmaceuticals, Inc., 6725 Mesa Ridge Road, Suite 100, San Diego, California 92121, Attn: Investor Relations, telephone: (858) 552-0866.

This prospectus is part of a registration statement on Form S-3 that we filed with the SEC. That registration statement contains more information than this prospectus regarding us and our common stock, including certain exhibits and schedules. You can obtain a copy of the registration statement from the SEC at the address listed above or from the SEC's Internet website.

**You should rely only on the information provided in and incorporated by reference into this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front cover of these documents.**

**Table of Contents**

**ADVENTRX PHARMACEUTICALS, INC.**

**\$25,000,000**

**Common Stock**

**Preferred Stock**

**Debt Securities**

**Warrants**

**Units**

**PROSPECTUS**

**June 4, 2009**