TITAN PHARMACEUTICALS INC
Form POS AM
March 23, 2012
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As filed with the Securities and Exchange Commission on March 22, 2012

Registration No. 333-166351

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 3

TO FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

TITAN PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3171940**

(State or other jurisdiction of incorporation or organization) **(I.R.S. Employer Identification Number)**

400 Oyster Point Blvd., Suite 505

South San Francisco, California 94080

(650) 244-4990

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Sunil Bhonsle, President

400 Oyster Point Blvd., Suite 505

South San Francisco, California 94080

(650) 244-4990

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Fran Stoller, Esq.

Loeb & Loeb LLP

345 Park Avenue

New York, New York 10154

Telephone: (212) 407-4000

Fax: (212) 407-4990

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 of the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and lit the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, please check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, please check the following box. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

We are filing this post-effective amendment to our Registration Statement on Form S-1 (file no. 333-166351) (the S-1) that was declared effective on May 11, 2010 in order to update the financial statements and other information contained in the S-1. Pursuant to Rule 429 of the Securities Act of 1933, as amended, we are including in the S-1 the securities covered by our previously filed Registration Statement on Form S-3 (file no. 333-173457). All filing fees payable in connection with the registration of those securities included on the S-1 were previously paid in connection with the filing of the initial registration statements.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED MARCH 22, 2012

TITAN PHARMACEUTICALS, INC.

12,031,250 shares of common stock

This prospectus relates to the resale of up to 12,031,250 shares of our common stock, par value $0.001 per share, being offered by the selling stockholders identified in this prospectus. The shares are issuable upon the exercise of outstanding warrants (the Warrants) held by the selling stockholders.

We will not receive any proceeds from the sale of the shares. To the extent the Warrants are exercised for cash, if at all, we will receive the exercise price for the Warrants. The selling stockholders may sell the shares in accordance with the Plan of Distribution set forth in this prospectus. The selling stockholders will bear all commissions and discounts, if any, attributable to the sales of shares. We will bear all costs, expenses and fees in connection with the registration of the shares.

Our common stock is traded on the OTC Bulletin Board under the symbol TTNP:OB. On March 21, 2012, the closing price of our common stock was $1.25.

The selling stockholders and any broker-dealer executing sell orders on behalf of the Selling Stockholders, may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended (the Securities Act). Commissions received by any broker-dealer may be deemed to be underwriting commissions under the Securities Act. See Plan of Distribution.

Investing in our common stock involves significant risks. You should invest in our common stock only if you can afford to lose your entire investment. For a discussion of some of the risks involved, see Risk Factors beginning on page 4 of this prospectus.

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 , 2012

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PROSPECTUS SUMMARY

This summary highlights material information about us that is described more fully elsewhere in this prospectus. It may not contain all of the information that you find important. You should carefully read this entire document, including the Risk Factors section beginning on page 4 of this prospectus and the consolidated financial statements and related notes to those statements appearing elsewhere in this prospectus before making a decision to invest in our common stock.

Unless otherwise indicated in this prospectus or the context otherwise requires, all references to we, us, our, the Company and Titan refers to Titan Pharmaceuticals, Inc. and its subsidiaries. References to the SEC or Commission refers to the U.S. Securities and Exchange Commission.

Probuphine® and ProNeura are trademarks of our company. This Form S-1 also includes trade names and trademarks of companies other than Titan.

Our principal asset is Probuphine , the first slow release implant formulation of buprenorphine, designed to maintain a stable, round the clock blood level of the medicine in patients for six months following a single treatment. Daily treatment of opioid dependence with sublingual buprenorphine formulations is already a $1+ billion market in the U.S., and a transdermal formulation for the treatment of chronic pain entered the U.S. market in 2011,. Probuphine is being developed for the treatment of opioid dependence with the potential to enhance patient compliance to medication, and limit diversion and accidental use of the daily dosed formulations. In October 2011, we had a Pre-New Drug Application meeting with the U.S. Food and Drug Administration (the FDA) that provided clear guidance on the requirements for submitting a New Drug Application (NDA). The clinical development program is now complete and preparation of the NDA is in process. At the request of the FDA, we are conducting additional analytical testing of the ethylene vinyl acetate (an inactive co-polymer in Probuphine) and the final product, Probuphine, in order to complete full characterization and establish in-use stability. We have also commenced a program with our contract manufacturer to scale-up the manufacturing process for commercial production. We expect to complete these steps and be in a position to submit the NDA in the third quarter of 2012. Our goal is to enter into one or more partnerships with capable pharmaceutical companies to commercialize Probuphine in the U.S. and foreign markets, as well as to potentially develop the product for the treatment of chronic pain.

Probuphine is the first product to utilize ProNeura , our novel, proprietary, long-term drug delivery technology. Our ProNeura technology has the potential to be used in developing products for the treatment of other chronic conditions, such as Parkinson s disease, where maintaining stable, round the clock blood levels of a drug can benefit the patient and improve medical outcomes.

Under a sublicense agreement with Novartis Pharma AG (Novartis), we are entitled to royalty revenue of 8-10% of net sales of Fanapt® (iloperidone), an atypical antipsychotic compound being marketed in the U.S. by Novartis for the treatment of schizophrenia, based on a licensed U.S. patent that expires in April 2017 (inclusive of a six month pediatric extension). We sold most of this future royalty stream to Deerfield Management, a healthcare investment fund, and have been using the proceeds of the sale to advance the development of Probuphine and for general corporate purposes. We have retained a portion of the royalty revenue from net sales of Fanapt in excess of specified annual threshold levels; however, based on sales levels to date, it is unlikely that we will receive any revenue from Fanapt in the next several years, if ever.

We operate in only one business segment, the development of pharmaceutical products. We were incorporated in Delaware in February 1992. Our principal executive offices are located 400 Oyster Point Blvd., Suite 505, South San Francisco, California. Our telephone number is 650-244-4990. Our website address is www.titanpharm.com.

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NOTE REGARDING FORWARD LOOKING STATEMENTS

Statements in this prospectus or in the documents incorporated by reference herein may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Reference is made in particular to the description of our plans and objectives for future operations, assumptions underlying such plans and objectives and other forward-looking terminology such as may, expects, believes, anticipates, intends, expects, projects, or similar terms, variations of such terms or the neg such terms. Forward-looking statements are based on management s current expectations. Actual results could differ materially from those currently anticipated due to a number of factors, including but not limited to, uncertainties relating to financing and strategic agreements and relationships; difficulties or delays in the regulatory approval process; uncertainties relating to sales, marketing and distribution of our drug candidates that may be successfully developed and approved for commercialization; adverse side effects or inadequate therapeutic efficacy of our drug candidates that could slow or prevent product development or commercialization; dependence on third party suppliers; the uncertainty of protection for our patents and other intellectual property or trade secrets; and competition.

We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations or any changes in events, conditions or circumstances on which any such statement is based.

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THE OFFERING

Common stock offered by selling stockholders:	12,031,250 shares
Common stock outstanding:	59,386,542 shares as of the date of this Prospectus
Common stock outstanding after the offering (assuming full exercise of the Warrants):	71,417,792 shares
Use of proceeds:	We will not receive any of the proceeds from the sale of the shares by the selling stockholders. However, to the extent that the Warrants are exercised for cash, we will receive proceeds from any exercise of the Warrants up to an aggregate of $21.5 million. We intend to use any proceeds received from the exercise of the Warrants for working capital and other general corporate purposes.
OTCBB symbol:	TTNP:OB
Risk factors:	The securities offered by this prospectus are speculative and involve a high degree of risk and investors purchasing securities should not purchase the securities unless they can afford the loss of their entire investment. See Risk Factors beginning on page 4 of this prospectus.

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RISK FACTORS

An investment in our common stock is speculative and involves a high degree of risk and uncertainty. You should carefully consider the risks described below, together with the other information contained in this prospectus, including the consolidated financial statements and notes thereto, before deciding to invest in our common stock. Additional risks not presently known to us or that we presently consider immaterial may also adversely affect our company. If any of the following risks occur, our business, financial condition and results of operations and the value of our common stock could be materially and adversely affected.

We do not have the financial or other resources to complete the regulatory approval process or commercialize any product and may not be able to obtain the necessary financing and other resources.

At December 31, 2011, we had cash of approximately $5.4 million, which we believe is sufficient to fund our planned operations into the second quarter of 2012. We will require additional financing in order to complete preparation of the NDA and the regulatory process and seek approval to commercialize Probuphine, for which financing may not be available on acceptable terms, if at all. Furthermore, we do not have the financial or other resources necessary to commercialize any product and will need either to enter into a corporate partnership or licensing arrangement or raise the substantial funds required to establish our own sales, marketing and distribution capabilities in order to commercialize Probuphine (or any other product we may successfully develop) in the event regulatory approval is obtained. There can be no assurance that we will be able to enter into any such partnership or arrangement or raise such funds on acceptable terms, if at all.

We must comply with extensive government regulations.

The research, development, manufacture labeling, storage, record-keeping, advertising, promotion, import, export, marketing and distribution of pharmaceutical products are subject to an extensive regulatory approval process by the FDA in the U.S. and comparable health authorities in foreign markets. The process of obtaining required regulatory approvals for drugs is lengthy, expensive and uncertain. Approval policies or regulations may change and the FDA and foreign authorities have substantial discretion in the pharmaceutical approval process, including the ability to delay, limit or deny approval of a product candidate for many reasons. Despite the time and expense invested in clinical development of product candidates, regulatory approval is never guaranteed. Regulatory approval may entail limitations on the indicated usage of a drug, which may reduce the drug s market potential. Even if regulatory clearance is obtained, post-market evaluation of the products, if required, could result in restrictions on a product s marketing or withdrawal of the product from the market, as well as possible civil and criminal sanctions. Our business will be seriously harmed if our regulatory submissions are delayed or we cancel plans to make submissions for proposed products for any reason.

Probuphine may not receive FDA approval.

Probuphine, which has completed Phase 3 clinical development and is in the NDA preparation stage, will require significant further capital expenditures and regulatory clearances prior to commercialization. Even if we are able to obtain the requisite funding to complete the NDA submission and regulatory process, the FDA can delay, limit or deny approval of the product for many reasons, including:

- we may be unable to demonstrate to the satisfaction of the FDA that a product candidate is safe and effective for any indication;
- the FDA may disagree with our interpretation of data from non-clinical studies or clinical trials;
- we may be unable to demonstrate that the product s clinical and other benefits outweigh any safety or other perceived risks;
- the FDA may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we, or our collaborators, contract; or

the approval policies or regulations of the FDA may significantly change in a manner rendering our clinical data insufficient for approval.

Of the large number of drugs in development, only a small percentage successfully complete the FDA regulatory approval process and are commercialized. Any delay in obtaining, or inability to obtain, applicable FDA approval would prevent commercialization of Probuphine in the U.S. and would materially adversely impact our business and prospects.

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If any product candidate that we successfully develop does not achieve broad market acceptance among physicians, patients, healthcare payors and the medical community, the revenues that it generates from their sales will be limited.

Even if Probuphine or any other product candidate receives regulatory approval, they may not gain market acceptance among physicians, patients, healthcare payors and the medical community. Coverage and reimbursement of our product candidates by third-party payors, including government payors, generally is also necessary for commercial success. The degree of market acceptance of any approved products will depend on a number of factors, including:

- the efficacy and safety as demonstrated in clinical trials;
- the clinical indications for which the product is approved;
- acceptance by physicians, operators of hospitals and clinics and patients of the product as a safe and effective product;
- the potential and perceived advantages of the product over alternative treatments;
- the safety of the product in broader patient groups, including its use outside of approved indications;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate reimbursement and pricing by third parties and government authorities;
- the prevalence and severity of adverse events;
- the effectiveness of sales and marketing efforts; and
- unfavorable publicity relating to the product.

If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, hospitals and clinics, healthcare payors and patients, we may not generate significant revenue from such products.

We must comply with extensive government regulations.

The development, manufacture, labeling, storage, record-keeping, advertising, promotion, import, export, marketing and distribution of pharmaceutical products are subject to an extensive regulatory approval process by the FDA in the U.S. and comparable health authorities in foreign markets. The process of obtaining required regulatory approvals for drugs is lengthy, expensive and uncertain. Approval policies or regulations may change and the FDA and foreign authorities have substantial discretion in the pharmaceutical approval process, including the ability to delay, limit or deny approval of a product candidate for many reasons. Despite the time and expense invested in clinical development of product candidates, regulatory approval is never guaranteed. Regulatory approval may entail limitations on the indicated usage of a drug, which may reduce the drug s market potential. Even if regulatory clearance is obtained, post-market evaluation of the products, if required, could result in restrictions on a product s marketing or withdrawal of the product from the market, as well as possible civil and criminal sanctions. Our business will be seriously harmed if our regulatory submissions are delayed or we cancel plans to make submissions for proposed products for any reason.

We face risks associated with third parties conducting preclinical studies and clinical trials of our products; as well as our dependence on third parties to manufacture any products that we may successfully develop.

We depend on third-party laboratories and medical institutions to conduct preclinical studies and clinical trials for our products and other third-party organizations to perform data collection and analysis, all of which must maintain both good laboratory and good clinical practices. We also depend upon third party manufacturers for the production of any products we may successfully develop to comply with current Good Manufacturing Practices of the FDA, which are similarly outside our direct control. If third party laboratories and medical institutions conducting studies of our products fail to maintain both good laboratory and clinical practices, the studies could be delayed or have to be repeated. Similarly, if the manufacturers of any products we develop in the future fail to comply with current Good Manufacturing Practices of the FDA, we may be forced to cease manufacturing such product until we have found another third party to manufacture the product.

We face risks associated with product liability lawsuits that could be brought against us.

Our clinical liability insurance coverage may not be sufficient to cover claims that may be made against us in the event that the use or misuse of our product candidates causes, or merely appears to have caused, personal injury or death. Any claims against us, regardless of their merit, could severely harm our financial condition, strain our management and other resources or destroy the prospects for commercialization of the product which is the subject of any such claim.

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We may be unable to protect our patents and proprietary rights.

Our future success will depend to a significant extent on our ability to:

- obtain and keep patent protection for our products and technologies on an international basis;
- enforce our patents to prevent others from using our inventions;
- maintain and prevent others from using our trade secrets; and
- operate and commercialize products without infringing on the patents or proprietary rights of others.

We cannot assure you that our patent rights will afford any competitive advantages, and these rights may be challenged or circumvented by third parties. Further, patents may not be issued on any of our pending patent applications in the U.S. or abroad. Because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that before a potential product can be commercialized, any related patent may expire or remain in existence for only a short period following commercialization, reducing or eliminating any advantage of the patent. For example, the two U.S. patents licensed by Titan under the MIT license have already expired, and we must rely on the method of use patent application for Probuphine to get patent protection and market exclusivity. If we sue others for infringing our patents, a court may determine that such patents are invalid or unenforceable. Even if the validity of our patent rights is upheld by a court, a court may not prevent the alleged infringement of our patent rights on the grounds that such activity is not covered by our patent claims.

In addition, third parties may sue us for infringing their patents. In the event of a successful claim of infringement against us, we may be required to:

- pay substantial damages;
- stop using our technologies and methods;
- stop certain research and development efforts;
- develop non-infringing products or methods; and
- obtain one or more licenses from third parties.

If required, we cannot assure you that we will be able to obtain such licenses on acceptable terms, or at all. If we are sued for infringement, we could encounter substantial delays in development, manufacture and commercialization of our product candidates. Any litigation, whether to enforce our patent rights or to defend against allegations that we infringe third party rights, will be costly, time consuming, and may distract management from other important tasks.

We also rely in our business on trade secrets, know-how and other proprietary information. We seek to protect this information, in part, through the use of confidentiality agreements with employees, consultants, advisors and others. Nonetheless, we cannot assure you that those agreements will provide adequate protection for our trade secrets, know-how or other proprietary information and prevent their unauthorized use or disclosure. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in our

favor.

We face intense competition.

Competition in the pharmaceutical and biotechnology industries is intense. We face, and will continue to face, competition from numerous companies that currently market, or are developing, products for the treatment of the diseases and disorders we have targeted. Many of these entities have significantly greater research and development capabilities, experience in obtaining regulatory approvals and manufacturing, marketing, financial and managerial resources than we have. We also compete with universities and other research institutions in the development of products, technologies and processes, as well as the recruitment of highly qualified personnel. Our competitors may succeed in developing technologies or products that are more effective than the ones we have under development or that render our proposed products or technologies noncompetitive or obsolete. In addition, our competitors may achieve product commercialization or patent protection earlier than we will.

Healthcare reform and restrictions on reimbursements may limit our financial returns.

Our ability or the ability of our collaborators to commercialize drug products, if any, may depend in part on the extent to which government health administration authorities, private health insurers and other organizations will reimburse consumers for the cost of these products. These third parties are increasingly challenging both the need for and the price of new drug products. Significant uncertainty exists as to the reimbursement status of newly approved therapeutics. Adequate third party reimbursement may not be available for our own or our collaborator s drug products to enable us or them to maintain price levels sufficient to realize an appropriate return on their and our investments in research and product development.

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We may not be able to retain our key management and scientific personnel.

As a company with a limited number of personnel, we are highly dependent on the services of our executive management and scientific staff, in particular Sunil Bhonsle and Marc Rubin, our President and Executive Chairman, respectively, and our Executive Vice President and Chief Development Officer, all of whom are parties to employment agreements with us. The loss of one or more of such individuals could substantially impair ongoing research and development programs and could hinder our ability to obtain corporate partners. Our success depends in large part upon our ability to attract and retain highly qualified personnel. We compete in our hiring efforts with other pharmaceutical and biotechnology companies, as well as universities and nonprofit research organizations, and we may not be successful in our efforts to attract and retain personnel.

Our stock price has been and will likely continue to be volatile.

Our stock price has experienced substantial fluctuations and could continue to fluctuate significantly due to a number of factors, including:

- variations in our anticipated or actual operating results or prospects;
- sales of substantial amounts of our common stock;
- announcements about us or about our competitors, including introductions of new products;
- litigation and other developments relating to our patents or other proprietary rights or those of our competitors;
- conditions in the pharmaceutical or biotechnology industries;
- governmental regulation and legislation; and
- change in securities analysts estimates of our performance, or our failure to meet analysts expectations.

Our common stock is deemed to be a penny stock, which may make it more difficult for investors to sell their shares due to suitability requirements.

Our common stock is subject to Rule 15g-1 through 15g-9 under the Securities Exchange Act of 1934, as amended (the Exchange Act), which imposes certain sales practice requirements on broker-dealers which sell our common stock to persons other than established customers and accredited investors (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000 (or $300,000 together with their spouses)). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser s written consent to the transaction prior to the sale. This rule adversely affects the ability of broker-dealers to sell our common stock and the ability of our stockholders to sell their shares of common stock.

Additionally, our common stock is subject to the SEC regulations for penny stock. Penny stock includes any equity security that is not listed on a national exchange and has a market price of less than $5.00 per share, subject to certain exceptions. The regulations require that prior to any non-exempt buy/sell transaction in a penny stock, a disclosure schedule set forth by the SEC relating to the penny stock market must be delivered to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for the common stock. The regulations also require that monthly statements be sent to holders of penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These requirements adversely affect the market liquidity of our common stock.

Our net operating losses and research and development tax credits may not be available to reduce future federal and state income tax payments.

At December 31, 2011, we had federal net operating loss and tax credit carryforwards of $220.9 million and $7.6 million, respectively, and state net operating loss and tax credit carryforwards of $147.2 million and $7.4 million, respectively. Current federal and state tax laws include substantial restrictions on the utilization of net operating loss and tax credits in the event of an ownership change. We have performed a change of ownership analysis through December 31, 2011 and, accordingly, all of our net operating loss and tax credit carryforwards are available to offset future taxable income, if any.

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Our stockholder rights plan may discourage or prevent a potential takeover, even if such a transaction would be beneficial to our stockholders.

In December 2011, our board of directors adopted a stockholder rights plan which provides for the potential issuance of dilutive junior preferred stock in the event of the acquisition or proposed acquisition of 15% or more of our outstanding common stock, which acquisition has not been approved by our board of directors.

While we believe that our stockholder rights plan enables our board of directors to maximize stockholder value, it may have the effect of delaying or preventing a change of control, even under circumstances that some stockholders may consider beneficial.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares by the selling stockholders. The selling stockholders are not obligated to exercise their warrants and we cannot predict whether holders will choose to exercise all or any of their Warrants or if they will do so for cash or on a cashless basis. In the event that all of the Warrants are exercised for cash, we will receive gross proceeds of approximately $21.5 million. We expect to use the proceeds received from the exercise of the Warrants, if any, for general working capital purposes.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected historical financial information should be read in conjunction with our financial statements and related notes included as part of this prospectus as well as and the information contained in the section of this prospectus captioned Management s Discussion and Analysis of Financial Condition and Results of Operations. The selected consolidated statement of operations data for the fiscal years ended December 31, 2007, 2008, 2009, 2010 and 2011 and the consolidated balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements of included elsewhere in this prospectus. These audited consolidated financial statements and notes have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, and have been audited by OUM & Co., LLP, an independent registered public accounting firm. The results of operations for past accounting periods are not necessarily indicative of the results to be expected for any future periods.

This data should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Years Ended December 31,				
	2011	2010	2009	2008	2007
	(in thousands, except per share data)				
Statement of Operations Data:					
Total revenue	$ 4,068	$ 10,093	$ 79	$ 73	$ 24
Operating expenses:					
Research and development	11,206	12,855	2,456	16,235	12,244
General and administrative	3,368	3,263	3,438	9,756	6,213
Other income (expense), net	(4,697)	(809)	(71)	484	786
Net loss	(15,203)	(6,834)	(5,886)	(25,434)	(17,647)
Gain on retirement of preferred stock upon dissolution of subsidiary		1,241			
Net loss applicable to common stockholders	$ (15,203)	$ (5,593)	$ (5,886)	$ (25,434)	$ (17,647)
Basic and diluted net loss per common share	$ (0.26)	$ (0.09)	$ (0.10)	$ (0.44)	$ (0.41)
Shares used in computing:					
Basic and diluted net loss per common share	59,324	59,248	58,473	58,285	42,998

	As of December 31,				
	2011	2010	2009	2008	2007
	(in thousands)				
Balance Sheet Data:					
Cash	$ 5,406	$ 3,180	$ 3,300	$ 4,672	$ 30,016
Working capital	4,839	(706)	2,069	2,759	26,200
Total assets	10,217	4,752	3,726	5,668	30,844
Total stockholders (deficit) equity	(20,079)	(6,053)	(1,448)	1,793	25,347

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements in the following discussion and throughout this prospectus that are not historical in nature are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. You can identify forward-looking statements by the use of words such as expect, anticipate, estimate, may, will, should, intend, believe, and similar expressions. Although we believe the expe reflected in these forward-looking statements are reasonable, such statements are inherently subject to risk and we can give no assurances that our expectations will prove to be correct. Actual results could differ from those described in this report because of numerous factors, many of which are beyond our control. These factors include, without limitation, those described under Risk Factors. We undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect actual outcomes. Please see Note Regarding Forward-Looking Statements at the beginning of this prospectus.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information appearing elsewhere in this prospectus.

Overview

Our principal asset is Probuphine , the first slow release implant formulation of buprenorphine, designed to maintain a stable, round the clock blood level of the medicine in patients for six months following a single treatment. Daily treatment of opioid dependence with sublingual buprenorphine formulations is over a $1 billion market in the U.S., and a transdermal formulation of buprenorphine for the treatment of chronic pain entered the U.S. market in 2011. Probuphine is being developed for the treatment of opioid dependence with the potential to enhance patient compliance to medication, and limit diversion and accidental use of the daily dosed formulations. In October 2011, we had a Pre-New Drug Application meeting with the U.S. Food and Drug Administration (the FDA) that provided clear guidance on the requirements for submitting a New Drug Application (NDA). The clinical development program is now complete and preparation of the NDA is in process. At the request of the FDA, we are conducting additional analytical testing of the ethylene vinyl acetate (an inactive co-polymer in Probuphine) and the final product, Probuphine, in order to complete full characterization and establish in-use stability. We have also commenced a program with our contract manufacturer to scale-up the manufacturing process for commercial production. We expect to complete these steps and be in a position to submit the NDA in the third quarter of 2012. Our goal is to enter into one or more partnerships with capable pharmaceutical companies to commercialize Probuphine in the U.S. and foreign markets, as well as to potentially develop the product for the treatment of chronic pain.

Probuphine is the first product to utilize ProNeura , our novel, proprietary, long-term drug delivery technology. Our ProNeura technology has the potential to be used in developing products for the treatment of other chronic conditions, such as Parkinson s disease, where maintaining stable, round the clock blood levels of a drug can benefit the patient and improve medical outcomes.

Under a sublicense agreement with Novartis Pharma AG (Novartis), we are entitled to royalty revenue of 8-10% of net sales of Fanapt® (iloperidone), an atypical antipsychotic compound being marketed in the U.S. by Novartis for the treatment of schizophrenia, based on a licensed U.S. patent that expires in April 2017 (inclusive of a six month pediatric extension). During 2011, we entered into several agreements with Deerfield Management (Deerfield), a healthcare investment fund, in which we agreed to pay most of this future royalty stream to Deerfield and have been using the proceeds to advance the development of Probuphine and for general corporate purposes. We have retained a portion of the royalty revenue from net sales of Fanapt in excess of specified annual threshold levels; however, based on sales levels to date, it is unlikely that we will receive any revenue from Fanapt in the next several years, if ever.

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Critical Accounting Policies and the Use of Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. We believe the following accounting policies for the years ended December 31, 2011 and 2010 to be applicable:

Revenue Recognition

We generate revenue principally from royalty payments, collaborative research and development arrangements, technology licenses, and government grants. Consideration received for revenue arrangements with multiple components is allocated among the separate units of accounting based on their respective selling prices. The selling price for each unit is based on vendor-specific objective evidence, or VSOE, if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor third party evidence is available. The applicable revenue recognition criteria are then applied to each of the units.

Revenue is recognized when the four basic criteria of revenue recognition are met: (1) a contractual agreement exists; (2) transfer of technology has been completed or services have been rendered; (3) the fee is fixed or determinable; and (4) collectibility is reasonably assured. For each source of revenue, we comply with the above revenue recognition criteria in the following manner:

Royalties earned are based on third-party sales of licensed products and are recorded in accordance with contract terms when third-party results are reliably measurable and collectibility is reasonably assured. Pursuant to certain license agreements, we earn royalties on the sale of Fanapt by Novartis Pharma AG in the U.S. As described in Note 8, Royalty Liability, we are obligated to pay royalties on such sales to Sanofi-Aventis and Deerfield. As we have no performance obligations under the license agreements, we have recorded the royalties earned, net of royalties we are obligated to pay, as revenue in our Consolidated Statement of Operations.

Collaborative arrangements typically consist of non-refundable and/or exclusive technology access fees, cost reimbursements for specific research and development spending, and various milestone and future product royalty payments. If the delivered technology does not have stand-alone value or if we do not have objective or reliable evidence of the fair value of the undelivered component, the amount of revenue allocable to the delivered technology is deferred. Non-refundable upfront fees with stand-alone value that are not dependent on future performance under these agreements are recognized as revenue when received, and are deferred if we have continuing performance obligations and have no evidence of fair value of those obligations. Cost reimbursements for research and development spending are recognized when the related costs are incurred and when collections are reasonably expected. Payments received related to substantive, performance-based at-risk milestones are recognized as revenue upon achievement of the clinical success or regulatory event specified in the underlying contracts, which represent the culmination of the earnings process. Amounts received in advance are recorded as deferred revenue until the technology is transferred, costs are incurred, or a milestone is reached.

Technology license agreements typically consist of non-refundable upfront license fees, annual minimum access fees or royalty payments. Non-refundable upfront license fees and annual minimum payments received with separable stand-alone values are recognized when the technology is transferred or accessed, provided that the technology transferred or accessed is not dependent on the outcome of our continuing research and development efforts.

Government grants, which support our research efforts in specific projects, generally provide for reimbursement of approved costs as defined in the notices of grants. Grant revenue is recognized when associated project costs are incurred.

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Share-Based Payments

We recognize compensation expense for all share-based awards made to employees and directors. The fair value of share-based awards is estimated at the grant date based on the fair value of the award and is recognized as expense, net of estimated pre-vesting forfeitures, ratably over the vesting period of the award. We use the Black-Scholes option pricing model to estimate the fair value method of our awards. Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the share-based awards, stock price volatility, and pre-vesting forfeitures. We estimate the expected term of stock options granted for the years ended December 31, 2011, 2010 and 2009 based on the historical experience of similar awards, giving consideration to the contractual terms of the share-based awards, vesting schedules and the expectations of future employee behavior. We estimate the volatility of our common stock at the date of grant based on the historical volatility of our common stock. The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected pre-vesting forfeiture rate and only recognize expense for those shares expected to vest. We estimate the pre-vesting forfeiture rate based on historical experience. If our actual forfeiture rate is materially different from our estimate, our stock-based compensation expense could be significantly different from what we have recorded in the current period.

Income Taxes

We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our current tax exposure under the most recent tax laws and assessing temporary differences resulting from differing treatment of items for tax and accounting purposes.

We assess the likelihood that we will be able to recover our deferred tax assets. We consider all available evidence, both positive and negative, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. If it is not more likely than not that we will recover our deferred tax assets, we will increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable.

Clinical Trial Accrual

We also record accruals for estimated ongoing clinical trial costs. Clinical trial costs represent costs incurred by clinical research organizations, (CROs), and clinical sites. These costs are recorded as a component of research and development expenses. Under our agreements, progress payments are typically made to investigators, clinical sites and CROs. We analyze the progress of the clinical trials, including levels of patient enrollment, invoices received and contracted costs when evaluating the adequacy of accrued liabilities. Significant judgments and estimates must be made and used in determining the accrued balance in any accounting period. Actual results could differ from those estimates under different assumptions. Revisions are charged to expense in the period in which the facts that give rise to the revision become known. The actual clinical trial costs for the Probuphine studies conducted in the past three years have not differed materially from the estimated projection of expenses.

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Warrants Issued in Connection with Equity Financing

We generally account for warrants issued in connection with equity financings as a component of equity, unless there is a deemed possibility that we may have to settle warrants in cash. For warrants issued with deemed possibility of cash settlement, we record the fair value of the issued warrants as a liability at each reporting period and record changes in the estimated fair value as a non-cash gain or loss in the Condensed Consolidated Statements of Operations.

Liquidity and Capital Resources

	2011	2010	2009
		(in thousands)	
As of December 31:			
Cash	$ 5,406	$ 3,180	$ 3,300
Working capital	$ 4,839	$ (706)	$ 2,069
Current ratio	1.9:1	0.9:1	2.3:1
Years Ended December 31:			
Cash used in operating activities	$ (14,476)	$ (4,657)	$ (5,407)
Cash (used in) provided by investing activities	$ (234)	$ (28)	$ 2
Cash provided by financing activities	$ 16,936	$ 4,565	$ 4,033

We have funded our operations since inception primarily through sales of our securities, as well as with proceeds from warrant and option exercises, corporate licensing and collaborative agreements, and government-sponsored research. At December 31, 2011, we had approximately $5.4 million of cash compared to approximately $3.2 million at December 31, 2010.

Our operating activities used approximately $14.5 million during the year ended December 31, 2011. This consisted primarily of the net loss for the period of approximately $15.2 million, approximately $1.9 million related to net non-cash gains on changes in the fair value of warrants and approximately $1.4 million related to net changes in operating assets and liabilities. This was offset in part by approximately $2.8 million related to the non-cash interest expense on our long-term debt and royalty liability, non-cash charges of approximately $32,000 related to depreciation, and approximately $1.2 million related to stock-based compensation expenses. Uses of cash in operating activities were primarily to fund product development programs and administrative expenses. The license agreements with Sanofi-Aventis and MIT require us to pay royalties on future product sales. In addition, in order to maintain license and other rights while products are under development, we must comply with customary licensee obligations, including the payment of patent-related costs, annual minimum license fees, meeting project-funding milestones and diligent efforts in product development. The aggregate commitments we have under these agreements, including minimum license payments, for the next 12 months is approximately $34,000. See Item 1. Business License Agreements.

Net cash used in investing activities of approximately $234,000 during the year ended December 31, 2011 consisted of approximately $236,000 related to purchases of equipment, which was offset in part by approximately $2,000 related to disposals of equipment.

Net cash provided by financing activities of approximately $16.9 million during the year ended December 31, 2011 consisted of approximately $16.5 million of net proceeds from the Deerfield transaction described below and proceeds of approximately $8.0 million received in exchange for substantially all of the remaining Fanapt royalties as described below. This was offset by payments of approximately $7.6 million to repay our outstanding indebtedness to Oxford.

On March 15, 2011, we entered into several agreements with entities affiliated with Deerfield pursuant to which Deerfield agreed to provide $20.0 million in funding to us. Funding occurred on April 5, 2011. Pursuant to

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the terms of a facility agreement, we issued Deerfield promissory notes in the aggregate principal amount of $20.0 million. The long-term debt bears interest at 8.5% per annum, payable quarterly, and the long-term debt is repayable over five years, with 10% of the principal amount due on the first anniversary, 15% due on the second anniversary, and 25% due on each of the next three anniversaries. We paid Deerfield a facility fee of $0.5 million. The long-term debt is secured by our assets and has a provision for pre-payment. Deerfield has the right to have the long-term debt repaid at 110% of the principal amount in the event we complete a major transaction, which includes, but is not limited to, a merger or sale of our company or the sale of Fanapt or Probuphine. Under a royalty agreement, in exchange for $3.0 million that was recorded as royalty liability, we agreed to pay Deerfield 2.5% of the aggregate royalties on net sales of Fanapt, subsequent to the funding date, constituting a portion of the royalty revenue we receive from Novartis. The agreements with Deerfield also provide us with the option to repurchase the royalty rights for $40.0 million.

On April 5, 2011, we used approximately $7.6 million of proceeds from the Deerfield funding to repay Oxford in full, including required final payments aggregating $480,000.

On November 14, 2011, we entered into several agreements with Deerfield pursuant to which we agreed to provide a substantial portion of the remaining future royalties on the sales of Fanapt in exchange for $5.0 million in cash that was recorded as royalty liability, a $10.0 million reduction in the principal amount owed to Deerfield under the existing facility agreement and a revised principal repayment schedule of $2.5 million per year for four years commencing in April 2013 to retire the remaining long-term debt of $10.0 million. Deerfield is entitled to the balance of our portion of the royalties on Fanapt (5.5% to 7.5% of net sales, net of the 2.5% we previously agreed to pay to Deerfield) up to specified threshold levels of net sales of Fanapt and 40% of the royalties above the threshold level. We retain 60% of the royalties on net sales of Fanapt above the threshold levels, subject to an agreement that half of any such retained royalties will go towards repayment of our outstanding debt to Deerfield. Funding of the transaction took place on November 25, 2011.

We expect to continue to incur substantial additional operating losses from costs related to the continuation of research and development, clinical trials, the regulatory process, and administrative activities. We believe that our working capital at December 31, 2011, which includes the proceeds from the recent Deerfield transactions, is sufficient to fund our planned operations late into the second quarter of 2012, including the preparation of the Probuphine NDA. In the event we are unable to enter into a corporate partnership or licensing arrangement during this period that provides us with the funds required to complete the regulatory process and commercialize Probuphine, if approved, we will need to obtain additional financing, either through the sale of debt or equity securities, to continue our Probuphine program and other product development activities. If we are unable to complete a debt or equity offering, or otherwise obtain sufficient financing when and if needed, we may be required to reduce, defer or discontinue one or more of our product development activities.

The following table sets forth the aggregate contractual cash obligations as of December 31, 2011 (in thousands):

		Payments Due by Period			
Contractual obligations	**Total**	**< 1 year**	**1-3 years**	**3-5 years**	**5 years+**
Operating leases	$ 342	$ 221	$ 121	$	$
License agreements	170	34	68	68	
Debt obligation(1)	12,338	850	6,169	5,319	
Total contractual cash obligations	$ 12,850	$ 1,105	$ 6,358	$ 5,387	$

For a full discussion of risks and uncertainties regarding our need for additional financing, see Risk Factors We do not have the financial or other resources to complete the regulatory approval process or commercialize any product and may not be able to obtain the necessary financing and other resources.

(1) Excludes payments related to the royalty liability with Deerfield under the March 2011 and November 2011 Royalty Agreements.

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Results of Operations

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Our net loss applicable to common stockholders for 2011 was approximately $15.2 million, or approximately $0.26 per share, compared to our net loss applicable to common stockholders of approximately $5.6 million, or approximately $0.09 per share, for 2010. Our net loss for 2011 includes a non-cash gain of $1.9 million resulting from changes in the fair value of warrants issued as part of the March 2011 Deerfield transaction.

We generated royalty revenues during 2011 of approximately $3.6 million compared to approximately $2.5 million during 2010. We generated grant revenues during 2011 of approximately $0.5 million compared to approximately $7.6 million during 2010. We generated no revenues from licensing agreements in 2011 compared to approximately $24,000 during 2010. Royalty revenues during 2011 and 2010 consisted of royalties on sales of Fanapt. Grant revenues during 2011 and 2010 consisted of proceeds from the NIH grants related to our Probuphine and ProNeura related programs.

Research and development expenses for 2011 were approximately $11.2 million compared to approximately $12.9 million in 2010, a decrease of approximately $1.7 million, or 13%. The decrease in research and development costs was primarily associated with a decrease in external research and development expenses related to the Phase 3 clinical trials of our Probuphine product which were completed in 2011. External research and development expenses include direct expenses such as clinical research organization charges, investigator and review board fees, patient expense reimbursements and contract manufacturing expenses. During 2011, our external research and development expenses relating to our Probuphine product development program were approximately $7.7 million compared to approximately $10.1 million for 2010. Other research and development expenses include internal operating costs such as clinical research and development personnel-related expenses, clinical trials-related travel expenses, and allocation of facility and corporate costs. As a result of the risks and uncertainties inherently associated with pharmaceutical research and development activities described elsewhere in this report, we are unable to estimate the specific timing and future costs of our clinical development programs or the timing of material cash inflows, if any, from our products or product candidates.

General and administrative expenses for 2011 were approximately $3.4 million, compared to approximately $3.3 million in 2010, an increase of approximately $0.1 million, or 3%. The increase in general and administrative expenses was primarily related to increases in non-cash stock compensation costs of approximately $0.3 million, employee-related costs of approximately $0.3 million, marketing-related costs of approximately $0.2 million . This was offset in part by decreases in legal fees of approximately $0.3 million, consulting and professional fees of approximately $0.3 million, and facilities-related costs of $0.1 million.

Net other expense for 2011 was approximately $4.7 million, compared to approximately $0.8 million in 2010. The increase in net other expense during 2011 was primarily related to interest expense of approximately $6.2 million on the Deerfield long-term debt and $0.2 million of interest expense related to the Oxford loans. This was offset in part by a $1.9 million non-cash gain related to decreases in the fair value of the Deerfield warrants.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Our net loss applicable to common stockholders for 2010 was approximately $5.6 million, or approximately $0.09 per share, compared to our net loss applicable to common stockholders of approximately $5.9 million, or approximately $0.10 per share, for 2009. Our net loss for 2010 includes a non-cash gain of $1.2 million resulting from the retirement of preferred stock upon dissolution of Ingenex, Inc., our majority-owned subsidiary.

We generated royalty revenues during 2010 of approximately $2.5 million. We had no royalty revenue during 2009. We generated grant revenues during 2010 of approximately $7.6 million. We had no grant revenue during 2009. We generated revenues of $24,000 from licensing agreements in 2010 compared to approximately $79,000 during 2009. Royalty revenues during 2010 consisted of royalties on sales of Fanapt. Grant revenues during 2010 consisted of proceeds from the NIH grants related to our Probuphine and ProNeura related programs.

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Research and development expenses for 2010 were approximately $12.9 million compared to approximately $2.5 million in 2009, an increase of approximately $10.4 million, or 416%. The increase in research and development costs was primarily associated with an increase in external research and development expenses related to the initiation and ongoing expenses of the Phase 3 clinical trials related to our Probuphine product. External research and development expenses include direct expenses such as clinical research organization charges, investigator and review board fees, patient expense reimbursements and contract manufacturing expenses. During 2010, our external research and development expenses relating to our Probuphine product development program were approximately $10.1 million compared to approximately $0.7 million for 2009. Other research and development expenses include internal operating costs such as clinical research and development personnel-related expenses, clinical trials-related travel expenses, and allocation of facility and corporate costs. As a result of the risks and uncertainties inherently associated with pharmaceutical research and development activities described elsewhere in this report, we are unable to estimate the specific timing and future costs of our clinical development programs or the timing of material cash inflows, if any, from our products or product candidates.

General and administrative expenses for 2010 were approximately $3.3 million, compared to approximately $3.4 million in 2009, a decrease of approximately $0.1 million, or 3%. The decrease in general and administrative expenses was primarily related to decreases in non-cash stock compensation costs of approximately $0.7 million and facilities-related costs of $0.5 million. This was offset in part by increases in employee-related costs of approximately $0.2 million, legal fees of approximately $0.5 million, and consulting and professional fees of approximately $0.3 million.

Net other expense for 2010 was approximately $0.8 million compared to approximately $71,000 in 2009. Net other expense in 2010 consisted primarily of interest expense of approximately $0.7 million and loan fees of approximately $0.1 million resulting from our loans with Oxford and tax-related expenses of approximately $6,000. Net other expense in 2009 consisted primarily of financing-related expenses of approximately $60,000, interest expense of approximately $9,000 and tax-related expenses of approximately $10,000 offset by interest income of approximately $2,000 and net gain of approximately $6,000 resulting from the sale of certain assets.

Quantitative and Qualitative Disclosures about Market Risk

We held no marketable securities at December 31, 2011 and 2010.

Off-Balance Sheet Arrangements

We have never entered into any off-balance sheet financing arrangements and we have never established any special purpose entities. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

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DESCRIPTION OF THE BUSINESS

Overview

Our principal asset is Probuphine , the first slow release implant formulation of buprenorphine, designed to maintain a stable, round the clock blood level of the medicine in patients for six months following a single treatment. Daily treatment of opioid dependence with sublingual buprenorphine formulations is already a $1+ billion market in the U.S., and a transdermal formulation for the treatment of chronic pain entered the U.S. market in 2011. Probuphine is being developed for the treatment of opioid dependence with the potential to enhance patient compliance to medication, and limit diversion and accidental use of the daily dosed formulations. In October 2011, we had a Pre-New Drug Application meeting with the U.S. Food and Drug Administration (the FDA) that provided clear guidance on the requirements for submitting a New Drug Application (NDA). The clinical development program is now complete and preparation of the NDA is in process. At the request of the FDA, we are conducting additional analytical testing of the ethylene vinyl acetate (an inactive co-polymer in Probuphine) and the final product, Probuphine, in order to complete full characterization and establish in-use stability. We have also commenced a program with our contract manufacturer to scale-up the manufacturing process for commercial production. We expect to complete these steps and be in a position to submit the NDA in the third quarter of 2012. Our goal is to enter into one or more partnerships with capable pharmaceutical companies to commercialize Probuphine in the U.S. and foreign markets, as well as to potentially develop the product for the treatment of chronic pain.

Probuphine is the first product to utilize ProNeura , our novel, proprietary, long-term drug delivery technology. Our ProNeura technology has the potential to be used in developing products for the treatment of other chronic conditions, such as Parkinson s disease, where maintaining stable, round the clock blood levels of a drug can benefit the patient and improve medical outcomes.

Under a sublicense agreement with Novartis Pharma AG (Novartis), we are entitled to royalty revenue of 8-10% of net sales of Fanapt® (iloperidone), an atypical antipsychotic compound being marketed in the U.S. by Novartis for the treatment of schizophrenia, based on a licensed U.S. patent that expires in April 2017 (inclusive of a six month pediatric extension). We have entered into several agreements with Deerfield Management (Deerfield), a healthcare investment fund, which entitle Deerfield to most of the future royalty revenues related to Fanapt in exchange for cash and debt considerations, the proceeds from which we have been using to advance the development of Probuphine and for general corporate purposes. We have retained a portion of the royalty revenue from the net sales of Fanapt in excess of specified annual threshold levels; however, based on sales levels to date, it is unlikely that we will receive any revenue from Fanapt in the next several years, if ever.

We operate in only one business segment, the development of pharmaceutical products.

Our Products

Probuphine

We are developing Probuphine for the treatment of opioid dependence. Probuphine is the first product specifically designed for the long-term treatment of opioid dependence and it utilizes ProNeura, our novel, proprietary, long-term drug delivery technology. (see Continuous Drug Delivery Technology below). Probuphine is designed to maintain a stable, round the clock blood level of the drug buprenorphine, an approved agent for the treatment of opioid dependence. If approved, Probuphine is expected to provide six months of medication following a single treatment. Probuphine has been shown to be effective with an acceptable safety profile in the following clinical studies:

- Two six-month, double-blind, placebo-controlled safety and efficacy trials; one of which included an open label, active control (Suboxone). In both studies, Probuphine demonstrated superiority to placebo implants, and in the second study, established non-inferiority in comparison to Suboxone.
- Two six-month, open-label re-treatment safety trials; and
- A pharmacokinetic (relative bioavailability) safety study.

The goal of any therapy for an addictive disorder is to reduce the use of the substance over time and to engage the patient in treatment long enough for therapeutic gains to be consolidated. In a clinical study, the effectiveness of a treatment for opioid dependence is primarily evaluated

by testing a patient s urine samples for the presence of illicit opioids over the treatment period. In both placebo-controlled Phase 3 studies of Probuphine, every participant was required to provide urine samples three times a week, essentially on alternate days. Any missed sample was considered a positive result (i.e. urine testing positive for illicit opioid). In these studies, the primary effectiveness of the treatment with Probuphine (i.e. the primary endpoint) was established by comparing the negative urine results (i.e. urine testing negative for illicit opioid) between the Probuphine and placebo arms using a statistical technique, specifically the cumulative distribution function of negative urines , which basically performs a comparative analysis on the relative proportions of negative urines between treatment groups over the time period of treatment. The patients in the Probuphine

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arm showed clinically meaningful and a statistically significant difference in the negative urines as compared to the placebo arm in both studies, i.e. the Probuphine patients had statistically more negative results than the placebo arm, demonstrating that the treatment with Probuphine was successful in reducing their usage of illicit opioids as compared to the treatment with placebo. These favorable results for Probuphine were also confirmed by a significant difference over the placebo arm in other secondary measures such as retention in treatment, withdrawal symptoms and craving for opioids, all of which are monitored by clinicians to see if a treatment is providing clinically meaningful benefit to the patients.

Results for the first double-blind, placebo-controlled safety and efficacy study have been published in the Journal of the American Medical Association (JAMA, October 2010).

Patients who completed the controlled studies were eligible for enrollment in the six-month re-treatment studies, which provided data on up to one full year of treatment. The pharmacokinetic safety study has provided important data on the level of buprenorphine in the blood during the treatment period and gives a good profile of the safety of Probuphine. Data from all of these studies was presented at the International Society of Addiction Medicine Annual Meeting in November 2008 and September 2011, the American Society of Addiction Medicine Annual Meeting in May 2009 and American Society of Addiction Medicine Education Forum in October 2011, and the American College of Neuropharmacology in November 2009.

These studies are part of a registration directed program intended to obtain marketing approval of Probuphine for the treatment of opioid dependence in the U.S. and in Europe. We met with the FDA in October 2011 for a pre-NDA meeting and reviewed the clinical development program as well as the chemistry, manufacturing and controls (CMC) aspects of the NDA. Based on this interaction we believe we do not need to conduct any additional clinical studies prior to submitting the NDA and we have commenced the final activities in the CMC area that are necessary to obtain the remaining information while also beginning the preparation of the NDA, which we hope to submit in the third quarter of 2012.

Continuous Drug Delivery Technology

Our continuous drug delivery system consists of a small, solid rod made from a mixture of ethylene-vinyl acetate (EVA) and a drug substance. The resulting product is a solid matrix that is placed subcutaneously, normally in the upper arm in a simple office procedure, and is removed in a similar manner at the end of the treatment period. The drug substance is released slowly, at continuous levels, through the process of dissolution. This results in a constant rate of release similar to intravenous administration. We believe that such long-term, linear release characteristics are desirable by avoiding peak and trough level dosing that poses problems for many Central Nervous System (CNS) and other therapeutic agents.

Our continuous drug delivery technology was developed to address the need for a simple, practical method to achieve continuous long-term drug delivery, and potentially can provide controlled drug release on an outpatient basis over extended periods of up to 6-12 months. In addition to Probuphine, which is our first product in clinical testing to utilize our proprietary continuous drug delivery technology, we continue to seek opportunities to develop this drug delivery technology for other potential treatment applications in which conventional treatment is limited by variability in blood drug levels and poor patient compliance (e.g. treatment of Parkinson disease with dopamine agonists). Titan was awarded a $0.5 million SBIR grant in August 2010 to conduct non-clinical studies with long-term delivery of dopamine agonists and this data is expected to be available in the second quarter of 2012.

Fanapt® (iloperidone)

Fanapt (iloperidone) is an atypical antipsychotic approved by the FDA for the treatment of schizophrenia currently being marketed by Novartis in the U.S. Under a sublicense agreement with Novartis, we are entitled to a royalty of 8-10% of net sales, based on a U.S. patent that we licensed from Sanofi-Aventis. The U.S. patent expires in April 2017 (including a six-month pediatric extension). Vanda Pharmaceuticals, Inc. (Vanda) owns the development and commercialization rights to the oral and depot formulations of this product for the rest of the world. However, because patent coverage on the compound has now expired in the significant markets outside of the U.S. and no patent term extensions are possible since the product was not approved in these countries prior to patent expiration, we do not expect any royalties on any future sales in such markets.

We have entered into several agreements with Deerfield, which entitle Deerfield to most of the future royalty revenues related to Fanapt in exchange for cash and debt considerations, the proceeds of which have been, and are continuing to be, used to advance the development of Probuphine and for general corporate purposes. We have retained a portion of the royalty revenue from net sales of Fanapt in excess of specified annual threshold levels; however, based on sales levels to date, it is unlikely that we will receive any revenue from Fanapt in the next several years, if ever. We do not incur any ongoing expenses associated with this product.

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License Agreements

We are a party to several agreements with companies and universities for the performance of research and development activities and for the acquisition of licenses relating to such activities. Expenses under these agreements totaled approximately $36,000, $61,000 and $86,000 in the years ended December 31, 2011, 2010 and 2009, respectively.

In January 1997, we acquired an exclusive worldwide license under U.S. and foreign patents and patent applications relating to the use of iloperidone for the treatment of psychiatric and psychotic disorders and analgesia from Sanofi-Aventis SA (Sanofi-Aventis) (formerly Hoechst Marion Roussel, Inc.). The Sanofi-Aventis agreement provides for the payment of royalties on future net sales and requires us to satisfy certain other terms and conditions, specifically continued diligent product development and commercialization efforts standard for these types of agreements, in order to retain our rights, all of which have been met to date.

In November 1997, we granted a worldwide sublicense, exclusive of Japan, to Novartis under which Novartis continued, at its expense, all further development of iloperidone. In April 2001, that sublicense was extended to include Japan. Under this agreement, Novartis agreed to pay Titan a royalty on future net sales of the product equal to 8% of annual worldwide net sales up to $200 million and 10% of annual worldwide net sales above $200 million, in addition to royalty payments owed by us to Sanofi-Aventis. In June 2004, Novartis granted Vanda the worldwide rights to develop and commercialize iloperidone.

In October 2009, Vanda and Novartis amended and restated their sub-license agreement whereby Novartis acquired the U.S. and Canadian rights to commercialize Fanapt, the oral formulation of iloperidone approved in the U.S. Novartis also acquired the U.S. and Canadian development and commercialization rights to the depot formulation previously under development by Vanda and retained the right of first negotiation to co-market Fanapt and the depot formulation in the rest of the world. All of our rights and economic interests in iloperidone, including royalties on sales, remained essentially unchanged under these agreements.

In October 1995, we acquired from the Massachusetts Institute of Technology (MIT) an exclusive worldwide license to certain U.S. and foreign patents relating to our continuous drug delivery system. The exclusive nature of the MIT license is subject to our continued diligent product development activities. The agreement provides for the payment of a 2% royalty based on sales of products and processes incorporating the licensed technology, as well as 25% of other income (excluding research expense reimbursement) derived from sublicenses of the licensed technology.

In July 2005, we entered into an agreement with the University of Iowa Research Foundation. Under this agreement, we received an exclusive worldwide license to patent rights held by the University of Iowa Research Foundation covering the methods of treating biofilm formation, pseudomoras aeruginosa growth, human deficiency virus, and intracellular pathogens and pathogens causing chronic pulmonary infection using gallium maltolate. Under this agreement, we are required to pay a license issuance fee and certain minimum annual royalty payments. In addition, we are required to pay royalties based on net sales of products and processes incorporating the licensed technology.

Patents and Proprietary Rights

We are the exclusive licensee under the MIT license to two U.S. patents and their European counterparts relating to a long-term drug delivery system. One patent term expired in 2010 while the second patent term expires in 2014. These dates do not include possible term extensions. Four additional patent applications have been filed which incorporate the use of specific compounds with the continuous delivery technology, including two applications related to Probuphine for the potential treatment of opioid addiction and chronic pain. In June 2010, the United States Patent and Trademark Office (USPTO) issued a patent covering Probuphine for the treatment of opiate addiction. Titan is the assignee of this patent which claims a method for treating opiate addiction with a subcutaneously implanted device comprising buprenorphine and ethylene vinyl acetate, a biocompatible copolymer that releases buprenorphine continuously for extended periods of time. This patent, which also includes certain additional claims covering the composition and dimensions of the device, will expire in April 2024. Patents have issued in Australia, India, Mexico and New Zealand. Further prosecution of these applications is currently proceeding at the USPTO and corresponding agencies in Europe, Canada, Japan, India and Hong Kong.

We hold a license from Sanofi-Aventis under certain issued U.S. patents and certain issued foreign patents relating to iloperidone and its methods of use in the treatment of psychiatric disorders, psychotic disorders and analgesia. The term of the U.S. patent that covers certain aspects of our iloperidone product expires in April 2017, inclusive of a six month extension possible for approval of pediatric indication. Limited foreign patent protection remains in Lichtenstein, Georgia, Korea and the Philippines.

We are the licensee from the University of Iowa Research Foundation (UIRF) of two issued U.S. patents (expiring in 2016) relating to methods of use of gallium compounds to inhibit the growth of P. aeruginosa, and the treatment of infections by pathogens causing chronic pulmonary

infection. We are also the licensee from UIRF of certain rights to patent applications covering the use of gallium complexes in preventing and also treating bacterial biofilm-based infections, for which patents have issued in South Africa and Mexico and prosecution in the U.S., Canada, Europe, Australia, New Zealand and some Asian countries continues.

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Competition

The pharmaceutical and biotechnology industries are characterized by rapidly evolving technology and intense competition. Many companies of all sizes, including major pharmaceutical companies and specialized biotechnology companies, are engaged in the development and commercialization of therapeutic agents designed for the treatment of the same diseases and disorders that we target. Many of our competitors have substantially greater financial and other resources, larger research and development staff and more experience in the regulatory approval process. Moreover, potential competitors have or may have patents or other rights that conflict with patents covering our technologies. For risks we face with respect to competition, see Risk Factors We face intense competition.

With respect to Probuphine, Reckitt Benckiser Group, PLC, markets globally a sublingual buprenorphine product (tablet and film formulations) for the treatment of opioid dependence. This product (Subutex®, Suboxone®) which is administered daily, will compete with our six-month implantable product for treating opioid dependence. Other forms of buprenorphine are also in development by other companies, including intramuscular injections, buccal delivery and intranasally delivered buprenorphine, which also might compete with our product. In 2010, Alkermes, Inc. received FDA approval to market Vivitrol®, a one month depot injection of naltrexone as a maintenance treatment for opioid dependent patients who have successfully achieved abstinence. We are aware of one month depot formulations of buprenorphine in early clinical development for the treatment of opioid dependence, but we are not aware of any six-month formulations being developed other than Probuphine.

Manufacturing

The manufacturing of Probuphine has primarily been conducted at DPT Laboratories, Inc., and we are in the process of expanding the manufacturing facility at this contract manufacturer to establish commercial scale capability to support the potential market launch of Probuphine, and ongoing demand following potential approval by the FDA.

Government Regulation

In order to obtain FDA approval of a new drug, a company generally must submit proof of purity, potency, safety and efficacy, among other regulatory standards. In most cases, such proof entails extensive clinical and pre-clinical laboratory tests.

The procedure for obtaining FDA approval to market a new drug involves several steps. Initially, the manufacturer must conduct pre-clinical animal testing to demonstrate that the product does not pose an unreasonable risk to human subjects in clinical studies. Upon completion of such animal testing, an Investigational New Drug (IND) application must be filed with the FDA before clinical studies may begin. An IND application consists of, among other things, information about the proposed clinical trials. Among the conditions for clinical studies and IND approval is the requirement that the prospective manufacturer s quality control and manufacturing procedures conform to current Good Manufacturing Practices (cGMP), which must be followed at all times. Once the IND is approved (or if the FDA does not respond within 30 days), the clinical trials may begin.

The results of the pre-clinical and clinical testing on new drugs, if successful, are submitted to the FDA in the form of a New Drug Application (NDA). The NDA approval process requires substantial time and effort and there can be no assurance that any approval will be granted on a timely basis, if at all. The FDA may refuse to approve an NDA if applicable regulatory requirements are not satisfied. Product approvals, if granted, may be withdrawn if compliance with regulatory standards is not maintained or problems occur following initial marketing.

The FDA may also require post-marketing testing and surveillance of approved products, or place other conditions on their approvals. These requirements could cause it to be more difficult or expensive to sell the products, and could therefore restrict the commercial applications of such products. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. With respect to patented products or technologies, delays imposed by the governmental approval process may materially reduce the period during which we will have the exclusive right to exploit such technologies.

We believe we are in compliance with all material applicable regulatory requirements. However, see Risk Factors We must comply with extensive government regulations for additional risks we face regarding regulatory requirements and compliance.

Foreign Regulatory Issues

Sales of pharmaceutical products outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Whether or not FDA approval has been obtained, approval of a product by a comparable regulatory authority of a foreign country must generally be obtained prior to the commencement of marketing in that country. Although the time required to obtain such approval may be

longer or shorter than that required for FDA approval, the requirements for FDA approval are among the most detailed in the world and FDA approval generally takes longer than foreign regulatory approvals.

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Employees

At December 31, 2011, we had 12 full-time employees and several consultants

Properties

Our executive offices are located in approximately 9,255 square feet of office space in South San Francisco, California that we occupy under a three-year operating lease expiring in June 2013.

Legal Proceedings

We are currently not a party to any material legal or administrative proceedings and are not aware of any pending or threatened legal or administrative proceedings against us.

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DIRECTORS AND EXECUTIVE OFFICERS

Set forth below are the name, age and position and a brief account of the business experience of each of our executive officers and directors:

Name	Age	Office	Director Since
Marc Rubin (1)	57	Executive Chairman of the Board	November 2007
Sunil Bhonsle	62	President and Director	February 2004
Victor J. Bauer (2)(3)	76	Director	November 1997
Eurelio M. Cavalier (1)(3)(4)	79	Director	September 1998
Hubert E. Huckel (1)(2)(3)	80	Director	October 1995
M. David MacFarlane (2)(4)	71	Director	May 2002
Ley S. Smith (1)(2)(4)	77	Director	July 2000

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee
(4) Member of Nominating Committee

Marc Rubin, M.D. served as our President and Chief Executive from October 2007 until December 2008 and was re-engaged as our Executive Chairman in May 2009. Until February 2007, Dr. Rubin served as Head of Global Research and Development for Bayer Schering Pharma, as well as a member of the Executive Committee of Bayer Healthcare and the Board of Management of Bayer Schering Pharma. Prior to the merger of Bayer Pharmaceuticals and Schering AG in June 2006, Dr. Rubin was a member of the Executive Board of Schering AG since joining such company in October 2003, as well as Chairman of Schering Berlin Inc. and President of Berlex Pharmaceuticals, a division of Schering AG. From 1990 until August 2003, Dr. Rubin was employed by GlaxoSmithKline where he held positions of responsibility in global clinical and commercial development overseeing programs in the United States, Europe, Asia and Latin America. From 2001 through 2003, he was Senior Vice President of Global Clinical Pharmacology & Discovery Medicine. Dr. Rubin holds an M.D. from Cornell University Medical College. Dr. Rubin currently serves on the board of directors of Curis Inc. and Galectin Therapeutics.

Sunil Bhonsle served as our Executive Vice President and Chief Operating Officer from September 1995 until December 2008 and was re-engaged as our President in May 2009. Mr. Bhonsle served in various positions, including Vice President and General Manager Plasma Supply and Manager Inventory and Technical Planning, at Bayer Corporation from July 1975 until April 1995. Mr. Bhonsle holds an M.B.A. from the University of California at Berkeley and a B.Tech. in chemical engineering from the Indian Institute of Technology.

Victor J. Bauer, Ph.D. serves as the Executive Vice President of Concordia Pharmaceuticals, Inc., a biopharmaceutical company he co-founded in January 2004. From February 1997 through March 2003, Dr. Bauer was employed by Titan, most recently as our Executive Director of Corporate Development. From April 1996 until its merger into Titan, Dr. Bauer also served as a director and Chairman of Theracell. From December 1992 until February 1997, Dr. Bauer was a self-employed consultant to companies in the pharmaceutical and biotechnology industries. Prior to that time, Dr. Bauer was with Hoechst-Roussel Pharmaceuticals Inc., where he served as President from 1988 through 1992.

Eurelio M. Cavalier was employed in various capacities by Eli Lilly & Co. from 1958 until his retirement in 1994, serving as Vice President Sales from 1976 to 1982 and Group Vice President U.S. Pharmaceutical Business Unit from 1982 to 1993.

Hubert E. Huckel, M.D. served in various positions with The Hoechst Group from 1964 until his retirement in December 1992. At the time of his retirement, Dr. Huckel was Chairman of the Board of Hoechst-Roussel Pharmaceuticals, Inc., Chairman and President of Hoechst-Roussel Agri-Vet Company and a member of the Executive Committee of Hoechst Celanese Corporation. He currently serves on the board of directors of ThermoGenesis Corp., Catalyst Pharmaceuticals, Inc. and Concordia Pharmaceuticals, Inc.

M. David MacFarlane, Ph.D. served as Vice President and Responsible Head of Regulatory Affairs of Genentech, Inc from 1989 until his retirement in August 1999. Prior to joining Genentech, Inc., he served in various positions with Glaxo Inc., last as Vice President of Regulatory Affairs.

Ley S. Smith served in various positions with The Upjohn Company and Pharmacia & Upjohn from 1958 until his retirement in November 1997. From 1991 to 1993 he served as Vice Chairman of the Board of The Upjohn Company, and from 1993 to 1995 he was President and Chief Operating Officer of The Upjohn Company. At the time of his retirement, Mr. Smith was Executive Vice President of Pharmacia & Upjohn, and

President of Pharmacia & Upjohn s U.S. Pharma Product Center.

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As indicated above, each of our directors has extensive management and operational experience in one or more facets of the pharmaceutical industry, including research, product development, clinical and regulatory affairs, manufacturing and sales and marketing, providing our company with the leadership needed by a biotechnology company in all stages of its development.

Directors serve until the next annual meeting or until their successors are elected and qualified. Officers serve at the discretion of the board of directors, subject to rights, if any, under contracts of employment. See Executive Compensation Employment Agreements.

Board Leadership Structure

Currently, our principal executive officer and chairman of the board positions are held separately by Sunil Bhonsle and Marc Rubin, respectively.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Such executive officers, directors, and greater than 10% beneficial owners are required by SEC regulation to furnish us with copies of all Section 16(a) forms filed by such reporting persons.

Based solely on our review of such forms furnished to us and written representations from certain reporting persons, we believe that all filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were complied with during 2011, except for one transaction on Form 4, which was inadvertently reported late by a former director.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics (the Code) that applies to our directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial and accounting officer, respectively). The Code was filed as Exhibit 14 to our annual report on Form 10-K for the year ended December 31, 2003 and has been incorporated by reference into this annual report. A written copy of the Code will be provided upon request at no charge by writing to our Chief Financial Officer, Titan Pharmaceuticals, Inc., 400 Oyster Point Boulevard, Suite 505, South San Francisco, California 94080.

Compensation Discussion and Analysis

Overview

During 2009, 2010 and 2011, our organization structure has continued to evolve to support our operations following the adverse events we experienced in 2008 in connection with our iloperidone (Fanapt) and Spheramine development programs that negatively impacted our financial position and the market price of our common stock.

To conserve capital, in December 2008 we effected an approximately 90% reduction in our workforce in order to reduce operations to the minimal level necessary to enable us to continue our efforts to realize the potential value of our assets, particularly the Probuphine program. As part of the reduction plan, Dr. Rubin and Mr. Bhonsle entered into separation agreements pursuant to which they ended their employment relationships with us but agreed to assist us during the next six months, as needed, in connection with the aforementioned efforts. Robert Farrell, Chief Financial Officer, assumed the role of President pursuant to the terms of a retention agreement. Accordingly, at the beginning of 2009, we had three employees, including Mr. Farrell who served as our sole executive officer. In April 2009, we terminated Mr. Farrell s employment and Mr. Bhonsle, a board member, stepped in as our interim President.

In May 2009, following the FDA s approval of Fanapt, our board recommended the rehiring of certain of our former officers, including Dr. Rubin, who agreed to serve as our Executive Chairman, and Sunil Bhonsle, who assumed the role of President. Their compensation packages were structured by our Compensation Committee with minimal or no base salary, payment of which was also deferred to help maximize our limited cash resources, and to return the executives to an equity position comparable to that which existed prior to their termination five months earlier.

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During 2010 and 2011, Dr. Rubin and Mr. Bhonsle continued as our Executive Chairman and President, respectively, with compensation packages structured to reflect our current level of operations and resources. This compensation discussion describes the material elements of compensation awarded to, earned by, or paid to each of our executive officers who served as named executive officers during the year ended December 31, 2011. This compensation discussion focuses on the information contained in the following tables and related footnotes and narrative for primarily the last completed fiscal year; however, in light of the material changes in our operations and management team described above and elsewhere in this Form 10-K, we also describe compensation actions taken before or after the last completed fiscal year to the extent it enhances the understanding of our executive compensation disclosure.

Compensation Program Objectives and Philosophy

Our Compensation Committee currently oversees the design and administration of our executive compensation program. It reviews and approves all elements of compensation for each of our named executive officers taking into consideration recommendations from our principal executive officer (for compensation other than his own), as well as competitive market guidance. We define our competitive markets for executive talent to be the pharmaceutical and biotechnology industries in northern California. To date, we have utilized the Radford Biotechnology Surveys, a third party market specific compensation survey, and, when applicable, other independent third-party compensation consultants to benchmark our executive compensation.

The principal elements of our executive compensation program have historically been base salary, annual cash incentives, long-term equity incentives in the form of stock options, other benefits and perquisites, post-termination severance and acceleration of stock option vesting for certain named executive officers upon termination and/or a change in control. Our other benefits and perquisites have consisted of life, health and disability insurance benefits, and a qualified 401(k) savings plan. Our philosophy has been to position the aggregate of these elements at a level that is competitive within the industry and commensurate with our size and performance. During 2011, our compensation philosophy has evolved to accommodate our changing circumstances, operational needs and limited financial resources during this period.

During 2009, our operations were initially focused on winding down the company while maximizing the value that could be returned to the shareholders. Subsequently, following the approval of Fanapt by the FDA in May 2009, we focused on efforts to realize maximum shareholder value from both Fanapt and Probuphine, while limiting expenses to stay within the available cash resources. Accordingly, our Compensation Committee implemented a compensation plan which substantially limited the base salary while providing additional potential earnings through stock option awards.

During 2011 and 2010, our operations continued to focus on efforts to realize maximum shareholder value from both Fanapt and resumed activities associated with our Probuphine development program. Accordingly, our Compensation Committee implemented a compensation plan which provides base salary and potential earnings through stock option and restricted stock awards

Base Salaries

During 2011, the base salary of our named executives was reflective of the availability of resources and level of continuing operations. As a result of an amendment to his employment agreement, effective January 1, 2011, Dr. Rubin began receiving an annual salary of $210,000 and Mr. Bhonsle continues to receive an annual salary of $300,000 through December 31, 2012, at which time we expect to have new compensation arrangements in place. In the event new compensation arrangements with Dr. Rubin and Mr. Bhonsle have not been determined prior to December 31, 2012, Dr. Rubin and Mr. Bhonsle will either (i) make a determination to continue their employment at their then existing respective compensation levels or (ii) terminate their employment arrangements with the Company. See Employment Agreements below.

During 2010, the base salary of our named executives was reflective of the availability of resources and level of continuing operations. Dr. Rubin did not receive a cash salary during 2010. As a result of an amendment to his employment agreement, effective March 1, 2010, Mr. Bhonsle s base annual salary was set at $300,000, essentially his 2008 level.

During 2009, the base salary of the named executives was reflective of the limited availability of funds and the reduced level of operations. Accordingly, Mr. Farrell, President and CFO from January to April 2009 accepted an approximately 25% reduction in base salary from his prior year s base salary. Dr. Rubin and Mr. Bhonsle, whose employment was terminated in December 2008, received lump sum severance payments of approximately $384,000 and $277,000, respectively, in January 2009 and continued to provide services in support of winding down the operations. Dr. Rubin and Mr. Bhonsle have indicated that such services were undertaken in their roles as directors of Titan and that we did not owe them any consulting fees for work performed prior to their re-employment in May 2009, except for the time during which Mr. Bhonsle assumed the role of Acting President during the months of April and May 2009 for which he was paid approximately $12,400. Following the approval of Fanapt by the FDA, both Dr. Rubin and Mr. Bhonsle executed employment agreements pursuant to which, through February 28, 2010, Dr. Rubin was engaged as Executive Chairman with no base salary and Mr. Bhonsle was confirmed as our President with a base salary of

$ 200,000 per year, an approximately 33% reduction from the prior year, payment of which was deferred until February 2010.

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As we continue to evaluate the strategic alternatives for us going forward and our related human resource requirements, our Compensation Committee will continue to review appropriate base salaries for our executive officers. In making its determination, the Compensation Committee will consider the time commitment necessary and the roles our executives will play in implementing our plans. It is not anticipated that base salaries for the balance of 2012, assuming full time employment for each of them, will be increased materially beyond their current levels.

Long-term Equity Incentives

We provide the opportunity for our named executive officers and other executives to earn a long-term equity incentive award. Long-term incentive awards provide employees with the incentive to stay with us for longer periods of time, which in turn, provides us with greater stability. Equity awards also are less costly to us in the short term than cash compensation. We review long-term equity incentives for our named executive officers and other executives annually.

Historically, for our named executive officers, our stock option grants were of a size and term determined and approved by the Compensation Committee in consideration of the range of grants in the Radford Survey, generally falling within the 50-75% range outlined in the survey. We have traditionally used stock options as our form of equity compensation because stock options provide a relatively straightforward incentive for our executives, result in less immediate dilution of existing shareholders interests and, prior to our adoption of FAS 123(R), resulted in less compensation expense for us relative to other types of equity awards. Generally, all grants of stock options to our employees were granted with exercise prices equal to or greater than the fair market value of our common stock on the respective grant dates. For a discussion of the determination of the fair market value of these grants, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and the Use of Estimates.

We do not time stock option grants to executives in coordination with the release of material non-public information. Our stock option grants have a 10-year contractual exercise term. In general, the option grants are also subject to the following post-termination and change in control provisions:

Event	Award Vesting	Exercise Term
Termination by us for Reason Other than Cause, Disability or Death	Forfeit Unvested Options	Earlier of: (1) 90 days or (2) Remaining Option Period
Termination for Disability, Death or Retirement	Forfeit Unvested Options	Earlier of: (1) 2 years or (2) Remaining Option Period
Termination for Cause	Forfeit Vested and Unvested Options	Expire
Other Termination	Forfeit Unvested Options	Earlier of: (1) 90 days or (2) Remaining Option Period
Change in Control	Accelerated*	*

* The Compensation Committee may provide that, in the event of a change in control, any outstanding awards that are unexercisable or otherwise unvested will become fully vested and immediately exercisable. If there is a termination of employment, the applicable termination provisions regarding exercise term will apply.

The vesting of certain of our named executive officers stock options is accelerated pursuant to the terms of their employment agreements in certain change in control or other material events. These terms are more fully described in Employment Agreements and Potential Payments upon Termination or Change in Control.

Upon termination of employment of Dr. Rubin and Mr. Bhonsle in December 2008, all prior stock option grants ceased further vesting and the vested stock options continued to be available for exercise while they remained members of the board of directors. Prior stock option grants awarded to Mr. Farrell, who continued as the President and Chief Financial Officer until April 2009, continued to vest during the term of his employment and the vested stock options subsequently expired unexercised 90 days following termination of his employment.

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At the time of re-engagement of Dr. Rubin as Executive Chairman in May 2009, he was awarded a stock option grant of 1,000,000 shares with immediate vesting of 25% of the grant and the remainder to vest monthly over four years. This was the only compensation provided to Dr. Rubin during 2009. During 2010, Dr. Rubin was awarded 36,000 and 82,800 shares of restricted stock in May and July 2010, respectively. These awards vested over four and six month periods with all restricted shares fully vested by December 31, 2010. Similarly, upon the confirmation of Mr. Bhonsle as the President, he was awarded a stock option grant to purchase 700,000 shares of common stock with immediate vesting of 25% and the remainder to vest monthly over four years. During 2011, Dr. Rubin was awarded a stock option grant to purchase 150,000 shares of common stock with the vesting of 25% after six months and the remainder to vest monthly over the following 18 months. During 2011, Mr. Bhonsle was awarded a stock option grant to purchase 200,000 shares of common stock with the vesting of 25% after six months and the remainder to vest monthly over the following 18 months.

Compensation Committee Interlocks and Insider Participation

Members of our Compensation Committee of the board of directors were Mr. Eurelio M. Cavalier, Dr. Hubert E. Huckel and Victor J. Bauer. No member of our Compensation Committee was, or has been, an officer or employee of Titan or any of our subsidiaries, except for Victor J. Bauer, who was employed by Titan from February 1997 through March 2003 as our Executive Director of Corporate Development and from April 1996 until its merger into Titan, Dr. Bauer also served as a Director and Chairman of Theracell.

No member of the Compensation Committee has a relationship that would constitute an interlocking relationship with executive officers or directors of the Company or another entity.

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SUMMARY COMPENSATION TABLE

The following table shows information concerning the annual compensation for services provided to us by our Chief Executive Officer, our Chief Financial Officer and our other executive officers for the periods set forth.

Name and Principal Position(1)	Year	Salary ($)	Bonus ($)	Options(2) ($)	Awards(2) ($)	All Other Compensation ($)	Total Compensation ($)
Marc Rubin, M.D.(3)(4)(5)	2011	$ 210,000	$	$ 201,015	$	$	$ 411,015
Executive Chairman	2010				152,982		152,982
	2009	384,326		832,794			1,217,120
Louis R. Bucalo, M.D.(6)	2011						
Former Executive Chairman	2010	70,312					70,312
	2009	328,125					328,125
Sunil Bhonsle(7)	2011	300,000		268,020			568,020
President	2010	277,473					277,473
	2009	402,487		604,989		12,400	1,019,876
Robert E. Farrell, J.D.(8)	2011						
Former Executive Vice President and Chief Financial	2010						
Officer	2009	216,862					216,862

(1) The positions listed are the most recent held by such individuals.

(2) Amounts shown represent the grant date fair value computed in accordance with FASB ASC 718. The assumptions used by us with respect to the valuation of option grants and stock awards are set forth in Titan Pharmaceuticals, Inc. Consolidated Financial Statements Notes to Consolidated Financial Statements Note 12 Stock Plans.

(3) Dr. Rubin did not receive a salary during 2010.

(4) Dr. Rubin was awarded 36,000 and 82,800 shares of restricted stock on March 1, 2010 and July 1, 2010, respectively, instead of a cash salary. These shares were fully vested as of December 31, 2010.

(5) Dr. Rubin s employment was terminated on December 15, 2008. His 2009 salary includes a one-time severance payment of $384,326 made in January 2009.

(6) Dr. Bucalo s employment was terminated in April 2008 and he received salary continuation payments until April 2010. During 2010 and 2009, Dr. Bucalo received salary continuation payments of $70,312 and $328,125, respectively. Dr. Bucalo s outstanding options continued to vest under the terms of his severance agreement through April 2010. Dr. Bucalo s outstanding options were not exercised and were subsequently cancelled in 2010.

(7) Mr. Bhonsle s employment was terminated on December 15, 2008. His 2009 salary includes a one-time severance payment of $277,487 made in January 2009 and $125,000 related to compensation deferred to 2010.

(8) Mr. Farrell s employment was terminated in April 2009. His 2009 salary includes a payment of $161,824 related to the remaining balance of his severance.

For a description of the material terms of employment agreements with our current and former named executive officers, see Employment Agreements.

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GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Approval Date(1)	Number of Shares of Common Stock Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards($)(2)
Marc Rubin, M.D.	4/15/2011	4/15/2011	150,000(3)	$ 1.40	$ 201,015
Sunil Bhonsle	4/15/2011	4/15/2011	200,000(3)	$ 1.40	$ 268,020

(1) All grants were approved by the Compensation Committee on the dates indicated.
(2) Valuation assumptions are found under Titan Pharmaceuticals, Inc. Consolidated Financial Statements Notes to Consolidated Financial Statements Note 12 Stock Plans.
(3) These options vest over a 24 month period beginning on April 15, 2011 with 25% vesting after six months and the balance vesting in 18 monthly installments over the remaining vesting period.

Employee Benefits Plans

The principal purpose of our stock incentive plans is to attract, motivate, reward and retain selected employees, consultants and directors through the granting of stock-based compensation awards. The stock option plans provides for a variety of awards, including non-qualified stock options, incentive stock options (within the meaning of Section 422 of the Code), stock appreciation rights, restricted stock awards, performance-based awards and other stock-based awards.

2002 Stock Incentive Plan

In July 2002, we adopted the 2002 Stock Incentive Plan, or the 2002 Plan. The 2002 Plan assumed the options which remain available for grant under our option plans previously approved by stockholders. Under the 2002 Plan and predecessor plans, a total of approximately 7.4 million shares of our common stock were authorized for issuance to employees, officers, directors, consultants, and advisers. Options granted under the 2002 Plan and predecessor plans may either be incentive stock options within the meaning of Section 422 of the Internal Revenue Code and/or options that do not qualify as incentive stock options; however, only employees are eligible to receive incentive stock options. Options granted under the option plans generally expire no later than ten years from the date of grant, except when the grantee is a 10% shareholder, in which case the maximum term is five years from the date of grant. Options generally vest at the rate of one fourth after one year from the date of grant and the remainder ratably over the subsequent three years, although options with different vesting terms are granted from time-to-time. Generally, the exercise price of any options granted under the 2002 Plan must be at least 100% of the fair market value of our common stock on the date of grant, except when the grantee is a 10% shareholder, in which case the exercise price shall be at least 110% of the fair market value of our common stock on the date of grant.

In August 2005, we adopted an amendment to the 2002 Plan to (i) permit the issuance of shares of restricted stock and stock appreciation rights to participants under the 2002 Plan, and (ii) increase the number of shares issuable pursuant to grants under the 2002 Plan from 2,000,000 to 3,000,000.

2001 Stock Option Plan

In August 2001, we adopted the 2001 Employee Non-Qualified Stock Option Plan, or the 2001 NQ Plan, pursuant to which 1,750,000 shares of common stock were authorized for issuance for option grants to employees and consultants who are not officers or directors of Titan. Options granted under the option plans generally expire no later than ten years from the date of grant. Option vesting schedule and exercise price are determined at time of grant by the board of directors. Generally, the exercise prices of options granted under the 2001 NQ Plan were 100% of the fair market value of our common stock on the date of grant. The 2001 Stock Option Plan expired in August 2011.

General

Set forth below is information regarding the 2002 Plan and the 2001 NQ Plan, which we refer to herein collectively as the Stock Option Plans.

Administration. The Stock Option Plans are administered by our Compensation Committee. The Compensation Committee may in certain circumstances delegate certain of its duties to one or more of our officers. The Compensation Committee has the power to interpret the Stock Option Plans and to adopt rules for the administration, interpretation and application of the plans according to their terms.

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Grant of Awards; Shares Available for Awards. Certain employees, consultants and directors are eligible to be granted awards under the plans. The Compensation Committee will determine who will receive awards under the plans, as well as the form of the awards, the number of shares underlying the awards, and the terms and conditions of the awards consistent with the terms of the plans.

A total of approximately 8.2 million shares of our common stock are available for issuance or delivery under our existing Stock Option Plans. The number of shares of our common stock issued or reserved pursuant to the Stock Option Plans will be adjusted at the discretion of our Board or the Compensation Committee as a result of stock splits, stock dividends and similar changes in our common stock. In addition, shares subject to grant under our prior option plans (including shares under such plans that expire unexercised or are forfeited, terminated, canceled or withheld for income tax withholding) shall be merged and available for issuance under the 2002 Stock Option Plan, without reducing the aggregate number of shares available for issuance reflected above.

Stock Options. The Stock Option Plans permit the Compensation Committee to grant participants incentive stock options, which qualify for special tax treatment in the United States, as well as non-qualified stock options. The Compensation Committee will establish the duration of each option at the time it is granted, with a maximum ten-year duration for incentive stock options, and may also establish vesting and performance requirements that must be met prior to the exercise of options. Stock option grants (other than incentive stock option grants) also may have exercise prices that are less than, equal to or greater than the fair market value of our common stock on the date of grant. Incentive stock options must have an exercise price that is at least equal to the fair market value of our common stock on the date of grant. Stock option grants may include provisions that permit the option holder to exercise all or part of the holder s vested options, or to satisfy withholding tax liabilities, by tendering shares of our common stock already owned by the option holder for at least six months (or another period consistent with the applicable accounting rules) with a fair market value equal to the exercise price.

Stock Appreciation Rights. The Compensation Committee may also grant stock appreciation rights, which will be exercisable upon the occurrence of certain contingent events. Stock appreciation rights entitle the holder upon exercise to receive an amount in any combination of cash, shares of our common stock (as determined by the Compensation Committee) equal in value to the excess of the fair market value of the shares covered by the stock appreciation right over the exercise price of the right, or other securities or property owned by us.

Other Equity-Based Awards. In addition to stock options and stock appreciation rights, the Compensation Committee may also grant certain employees, consultants and directors shares of restricted stock, with terms and conditions as the Compensation Committee may, pursuant to the terms of the Stock Option Plan, establish. The Stock Option Plan does not allow awards to be made under terms and conditions which would cause such awards to be treated as deferred compensation subject to the rules of Section 409A of the Code.

Change-in-Control Provisions. In connection with the grant of an award, the Compensation Committee may provide that, in the event of a change in control, any outstanding awards that are unexercisable or otherwise unvested will become fully vested and immediately exercisable.

Amendment and Termination. The Compensation Committee may adopt, amend and rescind rules relating to the administration of the Stock Option Plans, and amend, suspend or terminate the Stock Option Plans, but no amendment will be made that adversely affects in a material manner any rights of the holder of any award without the holder s consent, other than amendments that are necessary to permit the granting of awards in compliance with applicable laws. We have attempted to structure the Stock Option Plans so that remuneration attributable to stock options and other awards will not be subject to a deduction limitation contained in Section 162(m) of the Code.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table summarizes the number of securities underlying outstanding plan awards for each named executive officer as of December 31, 2011.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Marc Rubin, M.D.	437,500		$ 2.40	10/01/2017
	2,500		1.52	5/30/2018
	5,000		1.52	5/30/2018
	397,187	217,813(1)	0.79	5/17/2019
	100,000		0.79	5/17/2019
	5,000		0.79	5/17/2019
	10,000		0.79	5/17/2019
	237,188	47,812(1)	0.79	5/17/2019
	50,000	100,000(3)	1.40	4/15/2021
Sunil Bhonsle	90,000		8.77	1/16/2012
	50,000		1.50	3/1/2013
	60,000		3.69	2/9/2014
	70,000		2.62	2/7/2015
	80,137		1.40	1/3/2016
	11,250		2.35	8/29/2016
	76,666		3.13	1/3/2017
	5,000		1.52	5/30/2018
	200,214	109,786(2)	0.79	5/17/2019
	100,000		0.79	5/17/2019
	10,000		0.79	5/17/2019
	313,854	76,146(2)	0.79	5/17/2019
	66,667	133,333(3)	1.40	4/15/2021

(1) These options vest in 48 equal monthly installments beginning on May 17, 2009.
(2) These options vest in 48 equal monthly installments beginning on May 17, 2009, with the vesting of 100,000 shares contingent upon the sale or partnering of the Probuphine program.
(3) These options vest over a 24 month period beginning on April 15, 2011 with 25% vesting after six months and the balance vesting in 18 monthly installments over the remaining vesting period.

No options were exercised by our named executive officers during 2011.

Pension Benefits

We do not sponsor any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

We do not maintain any non-qualified defined contribution or deferred compensation plans. The Compensation Committee, which is comprised solely of outside directors as defined for purposes of Section 162(m) of the Code, may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the Compensation Committee determines that doing so is in our best interests. We sponsor a tax qualified defined contribution 401(k) plan in which Dr. Rubin, Dr. Bucalo, Mr. Bhonsle, and Mr. Farrell participated.

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Employment Agreements

Marc Rubin

In October 2007, we entered into an employment agreement with Marc Rubin (the First Rubin Agreement) in connection with his joining our company as President and Chief Executive Officer. The First Rubin Agreement provided for an annual salary of $415,000 and an annual discretionary bonus of 0-50% based on the achievement of individual and company performance goals to be established by Dr. Rubin in consultation with senior management and approved by our board of directors. Upon joining Titan, Dr. Rubin received options to acquire 1,500,000 shares of our common stock that were to vest monthly over a four-year period, subject to a requirement of at least 12 months of employment for the vesting of any options. The First Rubin Agreement provided for the termination of employment by either party at any time for any reason by giving written notice to the other party. In the event his employment was terminated by us without Cause or by Dr. Rubin for Good Reason, or in the event of his death or Disability (as such terms are defined in such agreement), Dr. Rubin would be entitled to 12 months severance. The First Rubin Agreement contained customary non-competition and non-solicitation provisions. Dr. Rubin s compensation package was determined based on a review of CEO compensation information provided in the Radford Biotechnology Survey. In addition, we engaged Compensation Resources, a consulting firm, to provide information on current CEO compensation packages for similar companies. In connection with its review of Dr. Rubin s proposed compensation package, our Compensation Committee retained ExeQuity LLP, a consulting firm specializing in executive compensation, which concurred that the proposed compensation was appropriate and within the mid-range for similarly situated executives.

In December 2008, we entered into a separation agreement with Dr. Rubin (the Rubin Severance Agreement) pursuant to which we paid Dr. Rubin a one-time severance payment of $384,326, representing the net present value of his base salary for 12 months less an amount he forfeited to enable us to make severance payments to certain other employees. The Rubin Severance Agreement stated that the exercise period of all vested options held by Dr. Rubin would terminate 90 days after he ceases to be a member of our board. Under the Rubin Severance Agreement, Dr. Rubin agreed to provide transition services to us through June 15, 2009 at an hourly rate of $205 to be paid at such time as we receive proceeds from the sale of the company or our assets or royalties from Fanapt . Services provided by Dr. Rubin during this interim period were conducted within the scope of his responsibilities as a member of our board of directors and, accordingly, no payments are owed to him for transition services.

In May 2009, in connection with our re-engagement of our executive officers following the FDA s approval of Fanapt , we entered into a new employment agreement with Dr. Rubin to serve as our Executive Chairman (the Third Rubin Agreement). Pursuant to the Third Rubin Agreement, as such agreement was amended effective March 1, 2010, June 15, 2010 and December 27, 2010, he received no cash salary through December 2010. In May 2009, we granted Dr. Rubin options to purchase 1,000,000 shares of our common stock that vest as follows: 25% immediately and the balance monthly over a four-year period. Notwithstanding the foregoing, all unvested options held by Dr. Rubin automatically will become vested and exercisable immediately prior to the occurrence of a change of control. One half of the options will accelerate in the event we sell or transfer all or substantially all of our rights in iloperidone. In addition, in the event that we declare a dividend or similar distribution following such sale or transfer, we have agreed to retain for Dr. Rubin s benefit an amount equal to the dividend amount for distribution to him only upon the actual vesting and exercise by him of the unvested options. In consideration for entering into the March 1, 2010 amendment agreement, we issued Dr. Rubin 36,000 restricted shares that vested in four monthly installments through June 30, 2010. In consideration for entering into the June 15, 2010 amendment agreement, we issued Dr. Rubin 82,800 restricted shares that vested in six monthly installments through December 31, 2010. In consideration for entering into the December 27, 2010 amendment agreement, we agreed to pay Dr. Rubin an annual salary of $210,000 for the period of January 1, 2011 through December 31, 2011. On December 30, 2011, we agreed to extend the term of Dr. Rubin s employment with us through December 31, 2012 at an annual salary of $210,000 for the period of January 1, 2012 through December 31, 2012. The Third Rubin Agreement contains non-competition provisions applicable during the term of employment.

Sunil Bhonsle

In December 2007, we amended our employment agreement with Sunil Bhonsle in order to maintain parity with the agreements with Drs. Rubin and Bucalo described herein (the First Bhonsle Agreement). The First Bhonsle Agreement, which was originally entered into in August 1995, provided for a base salary and eligibility to receive an annual performance bonus up to a specified percentage of base salary. The actual amount of the annual bonus was discretionary and determined based upon the executive s performance, our performance and certain performance targets approved by our Compensation Committee. The First Bhonsle Agreement provided that Mr. Bhonsle would be entitled to 12 months severance in the event that his employment was terminated by us without Cause or by him for Good Reason (as such terms are defined in such agreement or six months in the event of their death or

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disability and provided for the continued vesting of the employee s stock options during the severance period in the event of termination without Cause or for Good Reason. The First Bhonsle Agreement contained customary non-competition and non-solicitation provisions.

In December 2008, we entered into a separation agreement with Mr. Bhonsle (the Bhonsle Severance Agreement) pursuant to which we paid Mr. Bhonsle a one-time severance payment of $277,487, representing the net present value of his base salary for 12 months less an amount he forfeited to enable us to make severance payments to certain other employees. The Bhonsle Severance Agreement stated that the exercise period of all vested options held by Mr. Bhonsle would terminate on March 15, 2009 and on such date all of his vested options terminated unexercised. Mr. Bhonsle agreed to provide transition services to us through June 15, 2009 at an hourly rate of $150 to be paid at such time as we receive proceeds from the sale of the company or our assets or royalties from Fanapt . In April 2009, upon our termination of Mr. Farrell, Mr. Bhonsle stepped in to act as our sole executive officer. Services provided by Mr. Bhonsle from January until April 2009 were conducted within the scope of his responsibilities as a member of our board of directors and, accordingly, no payments were owed to him for such transition services. We paid Mr. Bhonsle approximately $12,400 in April 2009.

In May 2009, in connection with our re-engagement of our executive officers following the FDA s approval of Fanapt , we entered into a new employment agreement with Mr. Bhonsle to serve as our President (the Third Bhonsle Agreement). The Third Bhonsle Agreement provided that until February 28, 2010, he was entitled to a cash salary of $200,000 per annum, payment of which was deferred until we began receiving royalty payments from Fanapt. Mr. Bhonsle was granted options to purchase 700,000 shares of our common stock that vest as follows: 25% immediately and the balance monthly over a four-year period; provided, however, that the vesting of 100,000 shares is also contingent upon the sale or partnering of the Probuphine program. Notwithstanding the foregoing, all unvested options held by Mr. Bhonsle automatically will become vested and exercisable immediately prior to the occurrence of a change of control. Effective March 1, 2010, we amended the Third Bhonsle Agreement to provide that from the effective date through June 30, 2010, he was entitled to a salary of $300,000 per annum. The amendment also provides that one half of the options will accelerate in the event we sell or transfer all or substantially all of our rights in iloperidone. In addition, in the event that we declare a dividend or similar distribution following such sale or transfer, we have agreed to retain for Mr. Bhonsle s benefit an amount equal to the dividend amount for distribution to him only upon the actual vesting and exercise by him of the unvested options. Effective July 1, 2010, as further amended effective December 27, 2010 and December 30, 2011, we amended the Third Bhonsle Agreement to provide that Mr. Bhonsle would continue to be entitled to a salary of $300,000 per annum through December 31, 2012. The Third Bhonsle Agreement contains non-competition provisions applicable during the term of employment.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

As set forth above under Employment Agreements, as of December 31, 2008, we had terminated our employment arrangements with Drs. Bucalo and Rubin and Mr. Bhonsle and undertaken to make the lump sum or monthly severance payments agreed upon. At such date, we had also restructured our employment arrangement with Mr. Farrell and paid him a lump sum retention bonus in consideration of his agreement to terminate the severance provisions of his agreement. During 2009, we terminated Mr. Farrell s employment agreement and rehired Dr. Rubin and Mr. Bhonsle.

Pursuant to the Third Rubin Agreement and the Third Bhonsle Agreement, assuming a change of control had taken place as of December 31, 2011, Dr. Rubin and Mr. Bhonsle would have been entitled to accelerated vesting of their outstanding stock options described in the table below:

	Value of Equity Awards: Termination Without Cause or For Good Reason(1)	Value of Equity Awards: In Connection With a Change in Control(1)
Marc Rubin, M.D.	None	Fully Vested. 365,625 options with value of $ 92,969
Sunil Bhonsle.	None	Fully Vested. 319,265 options with value of $ 65,076

(1) Value is based on the aggregate difference between the respective exercise prices and the closing sale price of our common stock on December 31, 2011, which was $1.14 per share.

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DIRECTOR COMPENSATION

Summary of Director Compensation

Non-employee directors are entitled to receive a fee for each meeting attended and all directors are entitled to receive stock options pursuant to our stockholder-approved stock option plans, including an initial grant of 10,000 options upon becoming a director, an annual grant of 20,000 options thereafter, and an annual grant of 5,000 options for each committee on which they serve. Directors are not precluded from serving us in any other capacity and receiving compensation therefor. Non-employee directors have also historically received an annual retainer fee of $15,000 in addition to the fee received for each meeting attended. In May 2009, in recognition of the large number (almost weekly) of telephonic and in-person meetings attended by the members of the board to help manage the company between January and May 2009, each member of the board was awarded a stock option grant to purchase 100,000 shares of common stock with immediate vesting. In July, 2009, each non-employee director was awarded 2,500 shares of restricted stock in lieu of fees earned. Non-employee directors receive $500 for each telephonic board meeting attended.

The following table summarizes compensation that our directors earned during 2011 for services as members of our board.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Options Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Victor J. Bauer, Ph.D.	$ 16,000	$	$ 66,859	$	$	$	$ 82,859
Eurelio M. Cavalier	15,000		80,227				95,227
Hubert E. Huckel, M.D.	6,000		80,227				86,227
M. David MacFarlane, Ph.D.	16,000		66,859				82,859
Ley S. Smith	15,500		80,227				95,727

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of February 29, 2012, certain information concerning the beneficial ownership of our common stock by (i) each stockholder known by us to own beneficially five percent or more of our outstanding common stock; (ii) each director; (iii) each named executive officer; and (iv) all of our executive officers and directors as a group, and their percentage ownership and voting power.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned(2)	Percent of Shares Beneficially Owned
Marc Rubin, M.D.	2,114,075(3)	3.5%
Victor J. Bauer, Ph.D.	278,644(4)	*
Sunil Bhonsle	1,737,127(5)	2.9%
Eurelio M. Cavalier	456,251(6)	*
Hubert E. Huckel, M.D.	458,586(7)	*
M. David MacFarlane, Ph.D.	320,000(8)	*
Ley S. Smith	366,251(9)	*
First Eagle Investment Management, LLC	5,375,939(10)	8.8%
Deerfield Entities	6,000,000(11)	9.2%
All executive officers and directors as a group (7 persons)	5,730,934	9.0%

* Less than one percent.

(1) Unless otherwise indicated, the address of such individual is c/o Titan Pharmaceuticals, Inc., 400 Oyster Point Boulevard, Suite 505, South San Francisco, California 94080.

(2) In computing the number of shares beneficially owned by a person and the percentage ownership of a person, shares of our common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of February 29, 2012 are deemed outstanding. Such shares, however, are not deemed outstanding for purposes of computing the percentage ownership of each other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

(3) Includes 1,069,374 shares issuable upon exercise of outstanding options.

(4) Includes 298,750 shares issuable upon exercise of outstanding options.

(5) Includes (i) 1,011,114 shares issuable upon exercise of outstanding options and (ii) 225,757 shares held in a family trust for which he serves as trustee.

(6) Includes 225,000 shares issuable upon exercise of outstanding options.

(7) Includes (i) 242,500 shares issuable upon exercise of outstanding options and (ii) 789 shares held by his wife.

(8) Includes 140,000 shares issuable upon exercise of outstanding options.

(9) Includes 212,500 shares issuable upon exercise of outstanding options.

(10) Derived from a Schedule 13G/A filed by First Eagle Investment Management, LLC on February 11, 2012. Includes warrants to purchase 1,562,500 shares of common stock. The holder s address is 1345 Avenue of the Americas, New York, New York 10105.

(11) Derived from a Schedule 13G filed by James E. Flynn, Deerfield Capital, L.P., Deerfield Special Situations Fund, L.P., Deerfield Management Company, L.P., Deerfield Special Situations Fund International Limited, Deerfield Private Design Fund II, L.P. and Deerfield Private Design International II, L.P. (collectively, the Deerfield Entities) on February 17, 2012. Includes warrants to purchase an aggregate of 6,000,000 shares of common stock. James E. Flynn is deemed to have voting and dispositive power over all of the warrants held by the Deerfield Entities. The holder s addresses are James E. Flynn, Deerfield Capital, L.P., Deerfield Special Situations Fund, L.P., Deerfield Management Company, L.P., Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P., 780 Third Avenue, 37th Floor, New York, NY 10017; Deerfield Special Situations Fund International Limited, c/o Citi Hedge Fund Services (B.V.I.) Ltd., Bison Court, Columbus Centre, P.O. Box 3460, Road Town, Tortola, D8, British Virgin Islands.

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Equity Compensation Plan Information

The following table sets forth aggregate information regarding our equity compensation plans in effect as of December 31, 2011:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrant and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (c)
Equity compensation plans approved by security holders	3,032,863	$ 1.76	2,578,284
Equity compensation plans not approved by security holders(1)(2)(3)	2,562,000	$ 1.32	
Total	5,594,863	$ 1.56	2,578,284

(1) In August 2002, we amended our 2001 Employee Non-Qualified Stock Option Plan. Pursuant to this amendment, a total of 1,750,000 shares of common stock were reserved and authorized for issuance for option grants to employees and consultants who are not officers or directors of Titan.

(2) In October 2007, we granted 1,500,000 non-qualified stock options outside of our stock option plans to our Chief Executive Officer, at an exercise price of $2.40, vesting equally over 48 months from the date of grant. At December 31, 2011, 437,500 of these non-qualified stock options remained outstanding.

(3) In May 2009, we granted 615,000 and 310,000 non-qualified stock options outside of our stock option plans to our Executive Chairman and President, respectively, at an exercise price of $0.79, vesting equally over 48 months from the date of grant.

Change in Control

There were no arrangements, known to us, including any pledge by any person of our securities the operation of which may at a subsequent date result in a change in control of our company.

Director Independence and Committees.

The following members of our Board of Directors meet the independence requirements and standards currently established by the NYSE Amex: Victor J. Bauer, Eurelio M. Cavalier, Hubert E. Huckel, M. David MacFarlane, and Ley S. Smith.

During the fiscal year ended December 31, 2011, the Board of Directors met 12 times and took action by written consent 2 times and no director attended fewer than 75% of the meetings of the Board of Directors and Board of Directors committees of which the director was a member.

Compensation Committee. The Compensation Committee makes recommendations to the Board of Directors concerning salaries and incentive compensation for our officers, including our Chief Executive Officer, and employees and administers our stock option plans. The Compensation Committee consists of Eurelio M. Cavalier, Hubert E. Huckel and Victor J. Bauer, each of whom meets the independence requirements and standards currently established by the NYSE Amex. During the fiscal year ended December 31, 2011, the Compensation Committee took action by written consent 2 times.

Nominating Committee. The purpose of the Nominating Committee is to assist the Board of Directors in identifying qualified individuals to become board members, in determining the composition of the Board of Directors and in monitoring the process to assess Board effectiveness.

The Nominating Committee consists of Eurelio M. Cavalier, M. David MacFarlane and Ley S. Smith, each of whom meets the independence requirements and standards currently established by the NYSE Amex. The Nominating Committee did not meet or take action by written consent during the fiscal year ended December 31, 2011.

Audit Committee. The Audit Committee (which is formed in compliance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934) consists of Ley S. Smith, M. David MacFarlane, Victor J. Bauer and Hubert E. Huckel, each of whom meets the independence requirements and standards currently established by the NYSE Amex and the SEC. In addition, the Board of Directors has determined that Mr. Ley S. Smith is an audit committee financial expert and independent as defined under the relevant rules of the SEC and the NYSE Amex. The Audit Committee assists the Board by overseeing the performance of the independent auditors and the quality and integrity of Titan s internal accounting, auditing and financial reporting practices. The Audit Committee is responsible for retaining (subject to stockholder ratification) and, as necessary, terminating, the independent auditors, annually

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reviews the qualifications, performance and independence of the independent auditors and the audit plan, fees and audit results, and pre-approves audit and non-audit services to be performed by the auditors and related fees. During the fiscal year ended December 31, 2011, the Audit Committee met 4 times.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

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SELLING STOCKHOLDERS

We are registering for resale shares of our common stock that are issuable upon exercise of outstanding Warrants held by the selling stockholders identified below. We are registering the shares to permit the selling stockholders and their pledgees, donees, transferees and other successors-in-interest that receive their shares from a selling stockholder as a gift, partnership distribution or other non-sale related transfer after the date of this prospectus to resell the shares when and as they deem appropriate in the manner described in the Plan of Distribution.

On March 15, 2011, we entered into several agreements with entities affiliated with Deerfield Management, a healthcare investment fund (collectively, Deerfield), pursuant to which Deerfield agreed to provide $20.0 million in funding to the Company. Deerfield funded the transaction on April 5, 2011. In connection with the funding transaction (the Deerfield Transaction), we issued Deerfield six-year warrants to purchase 6,000,000 shares of common stock at an exercise price of $1.57 per share. Pursuant to a registration rights agreement with Deerfield, we agreed to file a registration statement covering the resale of the shares underlying the Warrant with the SEC on or prior to April 14, 2011. We are required to keep the registration statement continuously effective under the Securities Act until the earlier of (i) the date when all of the shares covered by the registration statement have been sold and (ii) the date on which such securities may be sold without any restriction pursuant to Rule 144.

The following table sets forth with respect to the Deerfield Transaction:

- the name of the selling stockholders,
- the number of shares of our common stock that the selling stockholders beneficially owned prior to the offering for resale of the shares under this prospectus,
- the maximum number of shares of our common stock that may be offered for resale for the account of the selling stockholders under this prospectus, and
- the number and percentage of shares of our common stock to be beneficially owned by the selling stockholders after the offering of the shares (assuming all of the offered shares are sold by the selling stockholders).

Name of selling stockholder	Shares of common stock beneficially owned prior to offering (1)	Maximum number of shares of common stock to be sold	Number of shares of common stock owned after offering	Percentage ownership after offering
Deerfield Private Design Fund II, L.P. (2)	**2,236,800**	**2,236,800**		
Deerfield Private Design International II, L.P. (2)	**2,563,200**	**2,563,200**		
Deerfield Special Situations Fund, L.P. (2)	**468,000**	**468,000**		
Deerfield Special Situations Fund International Limited (2)	**732,000**	**732,000**		
Total	**6,000,000**	**6,000,000**		

(1) Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, securities that are currently convertible or exercisable into shares of our common stock, including the Warrants, or convertible or exercisable into shares of our common stock within 60 days of the

date hereof are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to the following table, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder s name.

(2) The number of shares beneficially owned prior to the offering represents shares of common stock that may be issued upon exercise of warrants issued in the Deerfield Transaction, James E. Flynn, has voting and disposition power over these securities.

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In December 2007, we completed the sale of units consisting of 13,300,000 shares of our common stock and Warrants to purchase 6,650,000 shares of our common stock to several institutional and accredited investors (the 2007 Private Placement), resulting in gross proceeds of $21,280,000. Canaccord Adams, Inc. and Rodman & Renshaw, LLC served as co-placement agents for the 2007 Private Placement and received an aggregate of $1,276,800 as a cash commission and approximately $57,000 for legal and other related expenses. We are required to keep the registration statement continuously effective under the Securities Act until such date as is the earlier of the date when all of the shares covered by the registration statement have been sold or the date on which such securities may be sold without any restriction pursuant to Rule 144.

The following table sets forth with respect to the 2007 Private Placement:

- the name of the selling stockholders,
- the number of shares of our common stock that the selling stockholders beneficially owned prior to the offering for resale of the shares under this prospectus,
- the maximum number of shares of our common stock that may be offered for resale for the account of the selling stockholders under this prospectus, and
- the number and percentage of shares of our common stock to be beneficially owned by the selling stockholders after the offering of the shares (assuming all of the offered shares are sold by the selling stockholders).

None of the selling stockholders has been an officer or director of our company or any of its predecessors or affiliates within the last three years, nor has any selling stockholder had a material relationship with us.

Name of selling stockholder	Shares of common stock beneficially owned prior to offering (1)	Maximum number of shares of common stock to be sold	Number of shares of common stock owned after offering	Percentage ownership after offering
21 April Fund, L.P. (2)	564,867	195,312	369,555	*
21 April Fund, Ltd. (3)	1,678,255	585,938	1,092,317	1.8%
Capital Ventures International (4)	234,375	234,375	0	
Cranshire Capital, L.P. (5)	130,650	78,125	52,525	*
Option Opportunities Corp. (6)	781,250	721,250	0	
Libra Fund, L.P. (7)	468,750	468,750	0	
Libra Offshore Ltd. (8)	156,250	156,250	0	
First Eagle Value in Biotechnology Masterfund, Ltd. (9)	735,671	312,500	423,171	*
DEF Associates, LP (10)	426,156	117,400	308,756	*
DEF Associates N.V. (11)	1,275,119	351,350	923,769	1.6%
Prudential Jennison Health Sciences Fund (12)	2,075,000	2,075,000	0	
Antecip Capital LLC (13)	775,000	525,000	250,000	*
Hudson Bay Master Fund, Ltd. (14)	160,000	160,000	0	
Henry C. Beinstein (15)(16)	621,232	50,000	571,232	*

* Less than one percent

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(1) Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, securities that are currently convertible or exercisable into shares of our common stock, including the Warrants, or convertible or exercisable into shares of our common stock within 60 days of the date hereof are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to the following table, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder s name.

(2) Includes 195,312 shares issuable upon exercise of Warrants. First Eagle Investment Management, LLC, the parent company of the investment manager of 21 April Fund, LP, is an affiliate of FEF Distributors, LLC, a broker-dealer, and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Michael M. Kellen, in his capacity as Vice Chairman of First Eagle Investment Management, LLC may also be deemed to have investment discretion and voting power over these securities.

(3) Includes 585,938 shares issuable upon exercise of Warrants. First Eagle Investment Management, LLC, the parent company of the investment manager of 21 April Fund, Ltd., is an affiliate of FEF Distributors, LLC, a broker-dealer, and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Michael M. Kellen, in his capacity as Vice Chairman of First Eagle Investment Management, LLC may also be deemed to have investment discretion and voting power over these securities.

(4) Represents shares issuable upon exercise of Warrants. Heights Capital Management, Inc., the authorized agent of Capital Ventures International (Capital), has discretionary authority to vote and dispose of these securities. Martin Kobinger, in his capacity as Investment Manager of Heights Capital Management, Inc. may also be deemed to have investment discretion and voting power over these securities. Capital is affiliated with one or more FINRA members, none of whom are currently expected to participate in the sale of shares by Capital pursuant to this prospectus.

(5) Includes 78,125 shares of common stock that may be issued upon exercise of Warrants. Downsview Capital, Inc. (Downsview) is the general partner of Cranshire Capital, L.P. (Cranshire) and consequently has voting control and investment discretion over securities held by Cranshire. Mitchell P. Kopin (Mr. Kopin), President of Downsview, has voting control over Downsview. As a result of the foregoing, each of Mr. Kopin and Downsview may be deemed to have beneficial ownership (as determined under Section 13(d) of the Exchange Act) of the shares of common stock beneficially owned by Cranshire.

(6) Represents shares issuable upon exercise of Warrants. David Dury, the owner and President of Option Opportunities Corp., has voting and investment power over these securities.

(7) Represents shares issuable upon exercise of Warrants. Libra Associates, LLC, the general partner of Libra Fund, LP and has the power to vote and to direct the voting of and the power to dispose and direct the disposition of these securities. Ranjan Tandon is the sole voting member and manager of Libra Associates, LLC and may be deemed to have the power to vote and to direct the voting of and the power to dispose and direct the disposition of the securities beneficially owned by Libra Associates, LLC.

(8) Represents shares issuable upon exercise of Warrants. Libra Advisors, LLC, the investment manager of Libra Offshore, Ltd. and has the power to vote and to direct the voting of and the power to dispose and direct the disposition of these securities. Ranjan Tandon is the sole voting member and manager of Libra Advisors, LLC and may be deemed to have the power to vote and to direct the voting of and the power to dispose and direct the disposition of the securities beneficially owned by Libra Advisors, LLC.

(9) Includes 312,500 shares issuable upon exercise of Warrants. First Eagle Investment Management, LLC, the parent company of the investment manager of First Eagle Value in Biotechnology Master Fund, Ltd, is an affiliate of DEF Distributors, LLC, a broker-dealer, and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Dan Declue, in his capacity as Senior Vice President of First Eagle Investment Management, LLC may also be deemed to have investment discretion and voting power over these securities.

(10) Includes 117,400 shares issuable upon exercise of Warrants. First Eagle Investment Management, LLC, the parent company of the investment manager of DEF Associates LP, is an affiliate of DEF Distributors, LLC, a broker-dealer, and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Michael M. Kellen, in his capacity as Vice Chairman of First Eagle Investment Management, LLC may also be deemed to have investment discretion and voting power over these securities.

(11) Includes 351,350 shares issuable upon exercise of Warrants. First Eagle Investment Management, LLC, the parent company of the investment manager of DEF Associates N.V., is an affiliate of DEF Distributors, LLC, a broker-dealer, and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Michael M. Kellen, in his capacity as Vice Chairman of First Eagle Investment Management, LLC may also be deemed to have investment discretion and voting power over these securities.

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(12) Represents shares issuable upon exercise of Warrants. Jennison Associates LLC serves as a sub advisor to Prudential Health Sciences Fund d/b/a Prudential Jennison Health Sciences Fund, a series of Prudential Sector Funds, Inc. and has voting and investment power over, but expressly disclaims beneficial ownership of, these securities. David Chan and Michael DelBalso, managing directors of Jennison and portfolio managers of the fund, may be deemed to have the power to vote and dispose of these securities.

(13) Includes 525,000 shares issuable upon exercise of Warrants. Herriot Tabuteau is the managing member of Antecip Capital LLC and has discretionary authority to vote and dispose of the common stock held by Antecip Capital LLC, although Mr. Tabuteau disclaims beneficial ownership over these securities.

(14) Represents shares issuable upon exercise of Warrants. Hudson Bay Capital Management LP, the investment manager of Hudson Bay Master Fund Ltd., has voting and investment power over these securities. Sander Gerber is the managing member of Hudson Bay Capital GP LLC, which is the general Partner of Hudson Bay Capital Management LP. Sander Gerber disclaims beneficial ownership over these securities.

(15) Includes 50,000 shares issuable upon exercise of Warrants.

(16) Such individual is an affiliate of Gagnon Securities LLC, a broker-dealer, and certifies that it bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

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PLAN OF DISTRIBUTION

We are registering the shares of our common stock on behalf of the selling stockholders. We are required to pay certain fees and expenses that we incur incident to the registration of the shares of the common stock. As used in this prospectus, selling stockholders includes the selling stockholders named in the table above and pledgees, donees, transferees or other successors-in-interest selling shares received from a named selling stockholder as a gift, partnership distribution or other non-sale-related transfer after the date of this prospectus. The selling stockholders may, from time to time, sell any or all of their shares of common stock on the OTC Bulletin Board or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. A selling stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise; or
- any other method permitted pursuant to applicable law.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which

require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholders and any broker dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling stockholder has informed the us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the common stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8.0%).

Because selling stockholders may be deemed to be underwriters within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling stockholders.

The shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the selling stockholders or any other person. We will make copies of this prospectus available to the selling stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

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DESCRIPTION OF SECURITIES

General

We are authorized by our certificate of incorporation to issue an aggregate of 130,000,000 shares of capital stock, of which 125,000,000 are shares of common stock, par value $.001 per share and 5,000,000 are shares of preferred stock, par value $.001 per share, of which 500,000 are designated as Junior Participating Preferred Stock pursuant to the terms of our Rights Agreement. As of the date hereof, there were 59,386,542 shares of common stock and no shares of preferred stock issued and outstanding.

Common Stock

All outstanding shares of common stock are of the same class and have equal rights and attributes. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders of the Company. All stockholders are entitled to share equally in dividends, if any, as may be declared from time to time by the board of directors out of funds legally available. In the event of liquidation, the holders of common stock are entitled to share ratably in all assets remaining after payment of all liabilities. The stockholders do not have cumulative or preemptive rights.

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

Preferred Stock

Our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock, although the underwriting agreement prohibits us, prior to a business combination, from issuing preferred stock which participates in any manner in the proceeds of the trust account, or which votes as a class with the common stock on a business combination. We may issue some or all of the preferred stock to effect a business combination. In addition, the preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of us. Although we do not currently intend to issue any shares of preferred stock, we cannot assure you that we will not do so in the future.

Stockholder Rights Plan

In December 2011, our board of directors adopted a stockholder rights plan pursuant to which our stockholders received one preferred share purchase right for each share of our common stock held by them. The rights are not currently exercisable or tradable separately from our common stock and are currently evidenced by the common stock certificates. The rights expire on December 20, 2012 unless earlier redeemed or exchanged by us. Subject to certain exceptions, the rights become exercisable when a person or group (other than certain exempt persons) (i) has acquired, or has the right to acquire, beneficial ownership of 15% or more of the outstanding shares of our common stock, other than as a result of repurchases of stock by us or the grant of any equity compensation awards or Board approved unilateral grants of any security to the person, or (ii) commences a tender offer or exchange offer that could result, upon its consummation, in a person or group becoming the beneficial owner of 15% or more of our outstanding shares of common stock. Should such an event occur, then, unless the rights are redeemed or have expired, our stockholders, other than the acquirer, will be entitled to purchase shares of our common stock at a 50% discount from its then current market price or, in the case of certain business combinations, purchase the common stock of the acquirer at a 50% discount.

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MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

From December 2008 to June 2010, our common stock was quoted on the OTC Pink Sheets system maintained by Pink OTC Markets Inc. under the symbol TTNP.PK. The Pink Sheets market is extremely limited and any prices quoted may not have been a reliable indication of the value of our common stock. Since June 2, 2010, our common stock has been quoted on the OTC Bulletin Board under the symbol TTNP.OB.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported by the Pink OTC Markets Inc. and OTC Bulletin Board, as applicable. The quotations reflect inter-dealer prices without retail markups, markdowns, or commissions and may not represent actual transactions. The closing price of our common stock on March 21, 2012 was $1.25.

	High	Low
Fiscal 2011		
Fourth Quarter	$ 1.78	$ 1.06
Third Quarter	$ 2.08	$ 1.30
Second Quarter	$ 2.22	$ 1.30
First Quarter	$ 1.81	$ 1.17
Fiscal 2010		
Fourth Quarter	$ 1.49	$ 0.99
Third Quarter	$ 1.20	$ 0.87
Second Quarter	$ 1.86	$ 0.92
First Quarter	$ 2.49	$ 1.70
Fiscal 2009		
Fourth Quarter	$ 2.48	$ 1.33
Third Quarter	$ 1.75	$ 0.98
Second Quarter	$ 1.75	$ 0.03
First Quarter	$ 0.04	$ 0.02

Holders

As of March 9, 2012 there were 142 record holders of our common stock.

Dividends

We have never paid a cash dividend on our common stock and anticipate that for the foreseeable future any earnings will be retained for use in our business and, accordingly, do not anticipate the payment of cash dividends.

LEGAL MATTERS

Certain legal matters governed by the laws of the State of Delaware with respect to the validity of the offered securities will be passed upon for us by Loeb & Loeb LLP, New York, New York.

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EXPERTS

The audited consolidated financial statements as of December 31, 2011 and December 31, 2010 and for each of the three years in the period ended December 31, 2011 have been included in this prospectus in reliance upon the report of OUM & Co. LLP, an independent registered public accounting firm and their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT US

We have filed a registration statement on Form S-3 with the SEC for the securities we are offering by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. We will provide to 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 in the prospectus but not delivered with the prospectus. We will provide this information upon oral or written request, free of charge. Any requests for this information should be made by calling or sending a letter to the Secretary of the Company, c/o Titan Pharmaceuticals, Inc., at our office located at 400 Oyster Point Blvd., Suite 505, South San Francisco, California 94080.

We are required to file annual and quarterly reports, current reports, proxy statements, and other information with the SEC. We make these documents publicly available, free of charge, on our website at www.titanpharm.com as soon as reasonably practicable after filing such documents with the SEC. You can read our SEC filings, including the registration statement, on the SEC s website at http://www.sec.gov. You also may read and copy any document we file with the SEC at its public reference facility at:

Public Reference Room

100 F Street N.E.

Washington, DC 20549.

Please call the SEC at 1-800-732-0330 for further information on the operation of the public reference facilities.

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Titan Pharmaceuticals, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Titan Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Titan Pharmaceuticals, Inc. as of December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders equity (deficit) and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the consolidated financial position of Titan Pharmaceuticals, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company s cash resources will not be sufficient to sustain its operations through 2012 without additional financing. The Company also has suffered recurring operating losses and negative cash flows from operations. This raises substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Titan Pharmaceuticals, Inc. s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2012 expressed an unqualified opinion thereon.

/s/ OUM & Co. LLP

San Francisco, California

March 14, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Titan Pharmaceuticals, Inc.

We have audited Titan Pharmaceuticals, Inc. s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Titan Pharmaceuticals, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management s Annual Report on Internal Control Over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Titan Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Titan Pharmaceuticals, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders equity (deficit) and cash flows for each of the three years in the period ended December 31, 2011 and our report dated March 14, 2012 expressed an unqualified opinion thereon.

/s/ OUM & Co. LLP

San Francisco, California

March 14, 2012

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TITAN PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2011	2010
	(in thousands, except per share data)	
Assets		
Current assets:		
Cash	$ 5,406	$ 3,180
Receivables	3,720	1,225
Prepaid expenses and other current assets	836	294
Total current assets	9,962	4,699
Property and equipment, net	255	53
Total Assets	$ 10,217	$ 4,752
Liabilities and Stockholders Deficit		
Current liabilities:		
Accounts payable	$ 4,789	$ 2,457
Accrued clinical trials expenses	161	705
Other accrued liabilities	173	373
Current portion of long-term debt		1,870
Total current liabilities	5,123	5,405
Warrant liability	3,611	
Royalty liability	9,309	
Long-term debt, net of discount	12,253	5,400
Total Liabilities	30,296	10,805
Commitments and contingencies		
Stockholders deficit:		
Preferred stock, $0.001 par value per share; 5,000,000 shares authorized, none issued and outstanding:		
Common stock, at amounts paid in, $0.001 par value per share; 125,000,000 shares authorized, 59,386,542 and 59,247,742 shares issued and outstanding at December 31, 2011 and 2010, respectively.	256,436	256,436
Additional paid-in capital	18,433	17,256
Accumulated deficit	(294,948)	(279,745)
Total stockholders deficit	(20,079)	(6,053)
Total Liabilities and Stockholders Deficit	$ 10,217	$ 4,752

See accompanying notes to consolidated financial statements.

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TITAN PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2011	2010	2009
	(in thousands, except per share amount)		
Revenue:			
Royalty revenue	$ 3,585	$ 2,512	$
Grant revenue	483	7,557	
License revenue		24	79
Total revenue	4,068	10,093	79
Operating expenses:			
Research and development	11,206	12,855	2,456
General and administrative	3,368	3,263	3,438
Total operating expenses	14,574	16,118	5,894
Loss from operations	(10,506)	(6,025)	(5,815)
Other income (expense):			
Interest expense, net	(6,430)	(678)	(6)
Other expense, net	(129)	(131)	(65)
Non-cash gain on decrease in the fair value of warrants	1,862		
Other expense, net	(4,697)	(809)	(71)
Net loss	(15,203)	(6,834)	(5,886)
Gain on retirement of preferred stock upon dissolution of subsidiary		1,241	
Net loss applicable to common stockholders	$ (15,203)	$ (5,593)	$ (5,886)
Basic and diluted net loss per common share	$ (0.26)	$ (0.09)	$ (0.10)
Weighted average shares used in computing basic and diluted net loss per common share	59,324	59,248	58,473

See accompanying notes to consolidated financial statements.

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TITAN PHARMACEUTICALS, INC

CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIT

(in thousands)

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive Income	Total Stockholders
	Shares	Amount	Capital	Deficit	(Loss)	Equity
Balances at December 31, 2008	**58,288**	**$ 255,403**	**$ 13,415**	**$ (267,025)**	**$**	**$ 1,793**
Comprehensive loss:						
Net loss				(5,886)		(5,886)
Unrealized gain or loss on marketable securities						
Comprehensive loss						(5,886)
Issuance of common stock, net of issuance costs	300	478				478
Issuance of common stock upon exercise of options	660	555				555
Issuance of warrants to purchase common stock			89			89
Compensation related to stock options			1,523			1,523
Balances at December 31, 2009	**59,248**	**256,436**	**15,027**	**(272,911)**		**(1,448)**
Comprehensive loss:						
Net loss				(6,834)		(6,834)
Unrealized gain or loss on marketable securities						
Comprehensive loss						(6,834)
Retirement of preferred stock upon dissolution of Ingenex, Inc.			1,241			1,241
Issuance of warrants to purchase common stock			255			255
Compensation related to stock options			733			733
Balances at December 31, 2010	**59,248**	**256,436**	**17,256**	**(279,745)**		**(6,053)**
Comprehensive loss:						
Net loss				(15,203)		(15,203)
Unrealized gain or loss on marketable securities						
Comprehensive loss						