ADVENTRX PHARMACEUTICALS INC
Form 424B3
October 13, 2011
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Filed pursuant to Rule 424(b)(3)
Registration Statement No. 333-174203

PROSPECTUS

ADVENTRX Pharmaceuticals, Inc.

16,278,901 Shares of

Common Stock

This prospectus may be used only in connection with the resale, from time to time, by the selling stockholders identified in this prospectus, of up to 16,278,901 shares of our common stock, which includes:

- 662,078 shares of our common stock issued to the selling stockholders pursuant to the terms of that certain Agreement and Plan of Merger, dated February 12, 2011, by and among the registrant, SRX Acquisition Corporation, SynthRx, Inc. and, solely with respect to Sections 2 and 8 of such agreement, an individual who was a principal stockholder of SynthRx (the Merger Agreement);

- 200,000 shares of common stock that are currently held in escrow to indemnify us against breaches of representations and warranties and may be released to the selling stockholders pursuant to the terms of the Merger Agreement;

- 1,938,773 shares of common stock issued to the selling stockholders, subject to a repurchase right in favor of our company that lapses upon the achievement of a performance milestone pursuant to the terms of the Merger Agreement; and

- 13,478,050 shares of common stock that may be issued to the selling stockholders, subject to the achievement of performance milestones pursuant to the terms of the Merger Agreement.

The selling stockholders may offer and sell the shares of common stock being offered by this prospectus from time to time in public or private transactions, or both. These sales may occur at fixed prices, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The selling stockholders may sell shares to or through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, concessions or commissions from the selling stockholders, the purchasers of the shares, or both. See Plan of Distribution for a more complete description of the ways in which the shares may be sold.

We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Our common stock is traded on the NYSE Amex equities market under the symbol ANX. On October 5, 2011, the last reported sale price of our common stock on the NYSE Amex equities market was $0.84.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 6 of this prospectus before you make an investment decision.

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

The date of this prospectus is October 13, 2011.

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ABOUT THIS PROSPECTUS

This prospectus constitutes part of the registration statement on Form S-3 we filed with the U.S. Securities and Exchange Commission (the SEC) under the Securities Act of 1933, as amended (the Securities Act), utilizing a shelf registration or continuous offering process. It omits some of the information contained in the registration statement, including the exhibits to the registration statement, and reference is made to the registration statement for further information with respect to us and the securities being offered by the selling stockholders. The registration statement, including the exhibits, can be read on the SEC s website or at the SEC s offices mentioned under the heading Where You Can Find More Information. Any statement contained in this prospectus concerning the provisions of any document filed as an exhibit to the registration statement or otherwise filed with the SEC is not necessarily complete, and in each instance, reference is made to the copy of the document as filed.

You should rely only on the information contained or incorporated by reference in this prospectus. Neither we nor the selling stockholders have authorized any other person to provide you with different information. The information contained in this prospectus, and the documents incorporated by reference herein, are accurate only as of the date such information is presented. You should also read this prospectus together with the additional information described under the heading Where You Can Find More Information. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

This prospectus may be amended from time to time to add, update or change information in this prospectus. Any statement contained in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in such prospectus amendment modifies or supersedes such statement. Any statement so modified will be deemed to constitute a part of this prospectus only as so modified, and any statement so superseded will be deemed not to constitute a part of this prospectus.

We are not, and the selling stockholders are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

Trademarks, Trade Names and Service Marks

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that appear in this prospectus include: Exelbine and SYNTHRX®, which are registered or trademarked in the United States. Each trademark, trade name or service mark of any other company appearing in this prospectus is, to our knowledge, owned by such other company.

Company References

In this prospectus, unless otherwise specified or the context otherwise requires, references to ADVENTRX Pharmaceuticals, Inc., ADVENTRX, we, us, our and our company refer to ADVENTRX Pharmaceuticals, Inc. and its consolidated subsidiaries.

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SUMMARY

The following summary contains basic information about our company and the offering by the selling stockholders. It does not contain all of the information that is important to you. We encourage you to carefully read this prospectus in its entirety and the documents to which we refer you.

Our Company

We are a specialty pharmaceutical company focused on acquiring, developing and commercializing proprietary product candidates. We have devoted substantially all of our resources to research and development or to acquisition of our product candidates. We have not yet marketed or sold any products or generated any significant revenue and have incurred significant losses since inception. Our current lead product candidates are ANX-188, a novel, purified, rheologic and antithrombotic compound, which we initially are developing as a first-in-class treatment for pediatric patients with sickle cell disease in acute crisis, and ANX-514, a detergent-free formulation of the chemotherapy drug, Taxotere®.

Recent Developments

Exelbine. In November 2010, we submitted a new drug application, or NDA, for Exelbine (vinorelbine injectable emulsion) to the U.S. Food and Drug Administration, or FDA, and in August 2011, we received a complete response letter from the FDA stating that it could not approve the Exelbine NDA in its present form. In particular, the letter stated that, based on inspections at clinical sites, the authenticity of the drug products used in the pivotal bioequivalence trial could not be verified and that the bioequivalence trial would need to be repeated to address this deficiency. During a meeting with the FDA in September 2011, FDA staff indicated that the failure of the clinical sites to randomly select and retain reserve samples of the test article (Exelbine) and reference standard (Navelbine®) could not be overcome by alternative methods of verifying authenticity and reiterated that the bioequivalence study would need to be repeated. We have discontinued making significant additional capital investments into the Exelbine program and are seeking a partner or outside investor for the program.

ANX-514. In February 2011, we met with the FDA to discuss ANX-514 (docetaxel for injectable emulsion) and the data package we presented to FDA to support approval of ANX-514 based on data from our bioequivalence study of ANX-514. The FDA indicated that a randomized safety study comparing ANX-514 and Taxotere®, a branded formulation of docetaxel, would be required to support approval of ANX-514. The study would be primarily descriptive but with a sample size sufficient to demonstrate a comparable safety profile. The FDA recommended that the study also collect data on response rate and duration of response. We plan to meet with the FDA in the fourth quarter of 2011 to discuss a study in which we compare the safety profiles of ANX-514, without routine administration of corticosteroid premedication, and Taxotere, with routine administration of corticosteroid premedication. We believe this single study will provide sufficient clinical data to support an ANX-514 NDA, should the study demonstrate comparable safety profiles between ANX-514 and Taxotere.

Acquisition of SynthRx. In April 2011, we completed the acquisition (the Merger) of SynthRx, Inc., a privately-held, Delaware corporation (SynthRx), pursuant to the terms of the Agreement and Plan of Merger, dated February 12, 2011 (the Merger Agreement), by and among our Company, SRX Acquisition Corporation, a Delaware corporation and wholly owned subsidiary of ours (Merger Sub), SynthRx and, solely with respect to Sections 2 and 8 of the Merger Agreement, an individual who is a principal stockholder of SynthRx (the Stockholders Agent), and SynthRx became a wholly owned subsidiary of ours. SynthRx s lead product candidate is a novel, purified, rheologic and antithrombotic compound, poloxamer 188, which we are developing as ANX-188.

As consideration for the Merger, all shares of SynthRx common stock outstanding immediately prior to the Merger were cancelled and automatically converted into the right to receive shares of our common stock, in the aggregate, as follows:

(i) 1,000,000 shares (the Fully Vested Shares) of our common stock at the effective time of the Merger; provided, however that, pursuant to the Merger Agreement, 137,922 shares were deducted from the number of Fully Vested Shares issued as a result of certain transaction expenses of SynthRx and 200,000 of the Fully Vested Shares were deposited into escrow (the Closing Escrow Amount) to indemnify us against breaches of representations and warranties;

(ii) up to 1,938,773 shares of our common stock at the at the effective time of the Merger (the Subject to Vesting Shares, and together with the 862,078 Fully Vested Shares issued to the former SynthRx stockholders and the escrow agent, the Closing Shares), which Subject to Vesting Shares are subject to various repurchase rights by us and fully vest, subject to reduction upon certain events, upon achievement of the First Milestone (defined below);

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(iii) up to 1,000,000 shares of our common stock (the First Milestone Shares), issued upon achievement of the First Milestone (the First Milestone Payment); provided, however, that in the event the First Milestone is achieved prior to the first anniversary of the closing of the Merger, 20% of the First Milestone Payment shall be deposited into escrow (the First Milestone Escrow Amount, and together with the Closing Escrow Amount, the Escrow Amount). The First Milestone means the dosing of the first patient in a phase 3 clinical study carried out pursuant to a protocol that is mutually agreed to by SynthRx and our company; provided, however, that the number of evaluable patients planned to target statistical significance with a p value of 0.01 in the primary endpoint shall not exceed 250 (unless otherwise mutually agreed) (the First Protocol). In the event that the FDA indicates that a single phase 3 clinical study will not be adequate to support approval of a new drug application covering the use of ANX-188 for the treatment of sickle cell crisis in children (the ANX-188 NDA), First Milestone shall mean the dosing of the first patient in a phase 3 clinical study carried out pursuant to a protocol that (a) is mutually agreed to by SynthRx and our company as such and (b) describes a phase 3 clinical study that the FDA has indicated may be sufficient, with the phase 3 clinical study described in the First Protocol, to support approval of the ANX-188 NDA.

(iv) 3,839,400 shares of our common stock (the Second Milestone Shares), issued upon achievement of the Second Milestone (the Second Milestone Payment). The Second Milestone shall mean the acceptance for review of the ANX-188 NDA by the FDA; and

(v) 8,638,650 shares of our common stock (the Third Milestone Shares, and together with the First Milestone Shares and the Second Milestone Shares, the Milestone Shares), issued upon achievement of the Third Milestone (the Third Milestone Payment, and together with the First Milestone Payment and the Second Milestone Payment, the Milestone Payments). The Third Milestone shall mean the approval by the FDA of the ANX-188 NDA.

Notwithstanding anything set forth above, in the event that the issuance of the Milestone Shares (x) violates federal or state securities laws or the listing standards of any national securities exchange to which we are subject at the time of such issuance, or (y) we are unable to obtain the affirmative vote of the holders of a majority of our common stock approving the issuance of the Milestone Shares on or before December 31, 2011, we are required to make the applicable Milestone Payments, or portion thereof, in cash based on the product of (x) the number of shares of our common stock issuable upon achievement of an applicable milestone and (y) the daily volume weighted average of actual closing prices measured in hundredths of cents of our common stock on the NYSE Amex, or such other national securities exchange on which our common stock is then listed, for the ten consecutive trading days immediately prior to the applicable Milestone Payment. Any Milestone Payment made in cash will be payable in quarterly installments. If the First Milestone Payment must be made in cash, such amount will be payable at a rate of $1,000,000 per calendar quarter and, if the Second Milestone Payment or the Third Milestone Payment must be made in cash, such amounts will be payable at a rate of 35% of net sales for the applicable calendar quarter of intravenous injection products in which a purified form of poloxamer 188 is an active ingredient. We cannot determine the amount of the potential cash payments to the former SynthRx stockholders because the amount of such payments, if any, will be determined based on the 10-day volume weighted average of the closing prices of our common stock immediately prior to achievement of the applicable milestone, and the market price of our common stock historically has been, and likely will continue to be, highly volatile.

Pursuant to the Merger Agreement and effective as of immediately following the closing of the Merger on April 8, 2011, Lewis J. Shuster was appointed to our board of directors. Pursuant to the Merger Agreement, we were required to appoint to our board of directors an individual proposed by SynthRx and reasonably acceptable to our company. Mr. Shuster was the individual proposed by SynthRx. Mr. Shuster was not a director, officer, employee or stockholder of SynthRx.

In connection with our 2011 Annual Meeting of Stockholders, we filed a definitive proxy statement that included a proposal requesting our stockholders to approve the issuance of the Milestone Shares, in lieu of cash payments for the Milestone Payments. Our stockholders approved this proposal at the annual meeting, which was held June 15, 2011.

On February 12, 2011, in connection with the Merger Agreement, our company, each of the former principal stockholders of SynthRx and, solely with respect to Section 3(c) thereof, the Stockholders Agent, entered into a Stockholders Voting and Transfer Restriction Agreement (the Voting and Transfer Restriction Agreement). Pursuant to the terms and conditions of the Voting and Transfer Restriction Agreement, each former principal SynthRx stockholder has agreed to vote all shares of our common stock then beneficially owned by that stockholder with respect to every action or approval by written consent of our stockholders in such manner as directed by us. Notwithstanding the foregoing, until the earlier of: (i) achievement of the Third Milestone and (ii) the four (4) year anniversary of the closing of the Merger, each stockholder party shall be permitted to vote any shares of our common stock that he, she or it beneficially owns in such person s sole discretion solely with respect to a change of control that involves the transfer of SynthRx s assets to a third party and in which at least eighty percent (80%) of the consideration received by our company (or our stockholders) is non-contingent and paid in cash.

The Voting and Transfer Restriction Agreement also provides that no shares of our common stock that are (i) subject to vesting in accordance with the terms of the Merger Agreement and/or (ii) that have been deposited in escrow may be transferred until such shares have vested and/or are released from escrow, as applicable (and upon such vesting or release, as applicable, such shares

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shall be referred to as the Transferable Shares). The stockholder parties shall be permitted to transfer any Transferable Shares to an affiliate or pursuant to any private resale transactions or series of transactions undertaken in compliance with the Securities Act, any rules and regulations promulgated thereunder, and any applicable state securities laws; provided, however, that such transferee shall be or shall have become a party to the Voting and Transfer Restriction Agreement and shall have agreed in writing to be bound by all of the terms and conditions thereof.

The Voting and Transfer Restriction Agreement also provides that upon the effectiveness of (x) the Registration Statement of which this prospectus forms a part or (y) upon such Transferrable Shares becoming freely transferable to the public in compliance with Rule 144 promulgated under the Securities Act, the stockholder parties, as a group, shall have the right to transfer on each trading day on any eligible market such aggregate number of Transferable Shares equal to or less than ten percent (10%) of the average daily trading volume of our common stock. In addition, upon the effectiveness of (x) the Registration Statement of which this prospectus forms a part, or (y) upon such Transferrable Shares becoming freely transferable to the public in compliance with Rule 144 promulgated under the Securities Act, the stockholder parties, as a group, shall have the right, exercisable not more than once in any twelve (12)-month period, to transfer Transferable Shares on any eligible market in an amount equal to, in the aggregate, five (5) times the average daily trading volume of our common stock.

ANX-188. SynthRx s lead product candidate is a novel, purified, rheologic and antithrombotic compound, poloxamer 188, which, we are developing as ANX-188. We believe ANX-188 is a late-stage product candidate that restores hydration lattices and minimizes the cascade of adhesive, inflammatory and coagulation responses that cause adhesion of cells, impaired blood flow and tissue ischemia. ANX-188 may have numerous applications as a cytoprotective, rheologic, antithrombotic and anti-inflammatory agent. Initially, we are developing ANX-188 as a first-in-class treatment for pediatric patients with sickle cell disease in acute crisis and, if we are able to reach agreement with the FDA on a study protocol on a timely basis, we may initiate a phase 3 clinical trial of ANX-188 for that indication in 2012.

Corporate Information

Our company was incorporated in Delaware in December 1995. In October 2000, we merged our wholly owned subsidiary, Biokeys Acquisition Corp., with and into Biokeys, Inc. and changed our name to Biokeys Pharmaceuticals, Inc. In May 2003, we merged Biokeys, Inc., our wholly owned subsidiary, with and into us and changed our name to ADVENTRX Pharmaceuticals, Inc. In April 2006, we acquired SD Pharmaceuticals, Inc., a Delaware corporation, as a wholly owned subsidiary, and, in April 2011, we acquired SynthRx, Inc., a Delaware corporation, as a wholly owned subsidiary.

Our executive offices are located at 12390 El Camino Real, Suite 150, San Diego, California 92130, and our telephone number is (858) 552-0866. Our corporate website is located at www.adventrx.com. We make available free of charge through our corporate Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained in, or that can be accessed through, our website is not part of this prospectus.

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The Offering

Securities Offered:	This prospectus may be used only in connection with the resale, from time to time, by the selling stockholders identified in this prospectus, of up to 16,278,901 shares of our common stock, which includes: 662,078 shares of our common stock issued to the selling stockholders pursuant to the terms of the Merger Agreement; 200,000 shares of common stock that are currently held in escrow to indemnify us against breaches of representations and warranties and may be released to the selling stockholders pursuant to the terms of the Merger Agreement; 1,938,773 shares of common stock issued to the selling stockholders, subject to a repurchase right in favor of our company that lapses upon the satisfaction of a performance milestone pursuant to the terms of the Merger Agreement; and 13,478,050 shares of common stock that may be issued to the selling stockholders, subject to the achievement of performance milestones pursuant to the terms of the Merger Agreement.
Common Stock Outstanding:	26,465,709 shares (as of September 30, 2011)
Use of Proceeds:	The selling stockholders will receive all of the proceeds from the sale of the shares offered for sale under this prospectus. We will receive none of the proceeds from the sale of the shares by the selling stockholders.
NYSE Amex Symbol:	ANX
Risk Factors:	Investing in our securities involves a high degree of risk and purchasers of our securities may lose their entire investment. See Risk Factors below and the other information included elsewhere in this prospectus for a discussion of factors you should carefully consider before deciding to invest our securities.

The number of shares of our common stock outstanding as of September 30, 2011 includes 2,800,851 shares of our common stock issued on April 8, 2011 to the selling stockholders and the escrow agent upon completion of our acquisition of SynthRx, Inc. This number does not include:

- 7,777,988 shares of common stock issuable upon exercise of warrants outstanding as of September 30, 2011, at a weighted average exercise price of $6.58 per share;
- 1,553,692 shares of common stock issuable upon exercise of options issued under our equity incentive plans and outstanding as of September 30, 2011, at a weighted average exercise price of $4.75 per share;
- 3,256,014 shares of common stock available as of September 30, 2011 for future issuance under our Amended and Restated 2008 Omnibus Incentive Plan; and
- 13,478,050 shares of common stock that may be issued to the selling stockholders, subject to the achievement of performance milestones pursuant to the terms of the Merger Agreement.

All share and per share information in this prospectus related to dates or periods prior to April 23, 2010 reflects the 1-for-25 reverse split of our outstanding common stock that took place on that date.

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RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risk factors discussed below, together with all the other information contained in any of our filings with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, incorporated by reference into this prospectus, before deciding whether to purchase any of the securities being offered by this prospectus. Each of the risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our securities, and the occurrence of any of these risks might cause you to lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

Risks Related to Our Capital Requirements, Finances and Operations

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

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

The success of our business currently is dependent primarily on the success of our two lead product candidates and these product candidates may not receive regulatory approval or be successfully commercialized.

We currently have no products for sale and only two product candidates, ANX-188 and ANX-514, for which we actively are pursuing regulatory approval on an independent basis. Accordingly, the success of our business currently depends primarily on our ability, ourselves or with a future partner of ours, to obtain regulatory approval for and successfully market and sell these product candidates and our efforts in this regard may prove unsuccessful. Until recently, we were also pursuing FDA approval of Exelbine, our novel emulsion formulation of the chemotherapy drug vinorelbine. In November 2010, we submitted a new drug application, or NDA, for Exelbine (vinorelbine injectable emulsion) to the U.S. Food and Drug Administration, or FDA, and in August 2011, we received a complete response letter from the FDA stating that it could not approve the Exelbine NDA in its present form. In particular, the letter stated that, based on inspections at clinical sites, the authenticity of the drug products used in the pivotal bioequivalence trial could not be verified and that the bioequivalence trial would need to be repeated to address this deficiency. During a meeting with the FDA in September 2011, FDA staff indicated that the failure of the clinical sites to randomly select and retain reserve samples of the test article (Exelbine) and reference standard (Navelbine) could not be overcome by alternative methods of verifying authenticity and reiterated that the bioequivalence study would need to be repeated. Failure to obtain approval of the Exelbine NDA, in particular, as a result of logistical matters that investors may perceive as within our control, and our subsequent discontinuation of the Exelbine program may be viewed negatively and adversely affect investor confidence in our company, which could have a material adverse effect on our stock price and our ability to raise additional capital to pursue development and regulatory approval of our other product candidates.

With respect to ANX-514, following our meeting with the FDA in February 2011, we announced that the FDA determined ANX-514 could not be approved based on the findings from our bioequivalence study of ANX-514, which we refer to as Study 514-01, because the Cmax for total docetaxel was higher in patients who received ANX-514 relative to those who received Taxotere in Study 514-01. The FDA indicated that a randomized safety study comparing ANX-514 and Taxotere would be required in an appropriate patient population to support approval of ANX-514. The FDA recommended that the study also collect data on response rate and duration of response. We are developing a protocol for a pivotal safety study and intend to discuss it with the FDA during the fourth quarter of 2011. We also plan to discuss with the FDA the manner in which reserve samples in Study 514-01 were selected and maintained. The results of these discussions will determine in large part the timeline for and estimated cost of continued development of ANX-514. Currently, we plan to continue development of ANX-514, but the FDA s requirements for additional clinical and bioequivalence studies and/or nonclinical activities to support approval of ANX-514 may increase estimated development time and expense to the point where we determine to discontinue investment in ANX-514 based on our assessment of its commercial value. Even if we continue development of ANX-514 following further discussions with the FDA, the FDA s requirements may negatively impact our ability to raise additional capital to develop and/or partner ANX-514.

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If any of our current or future product candidates is approved by the FDA or any foreign regulatory agency, our ability to generate revenues from these products will depend in substantial part on the extent to which they are accepted by the medical community and reimbursed by third-party payors and our ability to ensure that our third-party manufacturer or manufacturers produce sufficient quantities of the products to meet commercial demand, if any.

Our financial resources are limited, we will need to obtain additional funding to pursue our current business strategy and we may not be able to obtain such funding on a timely basis or on commercially reasonable terms, if at all.

We have experienced significant losses in acquiring and funding the development of our product candidates, accumulating net losses totaling approximately $165.7 million as of June 30, 2011, and we expect to continue to incur substantial operating losses for the foreseeable future, even if we or a future partner of ours is successful in advancing our product candidates to market. We do not expect to generate cash flows from sales of our products unless and until our products are approved for marketing, the timing of which we cannot predict accurately.

Our future expenditures on our programs are subject to many uncertainties, including whether our product candidates will be developed or commercialized with a partner or independently. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- the costs of seeking regulatory approval for our product candidates, including any nonclinical testing or bioequivalence or clinical studies, process development, scale-up and other manufacturing and stability activities, or other work required to achieve such approval, as well as the timing of such activities and approval;
- the extent to which we invest in or acquire new technologies, product candidates, products or businesses and the development requirements with respect to any acquired programs;
- the scope, prioritization and number of development programs we pursue and the rate of progress and costs with respect to such programs;
- the costs related to developing, acquiring and/or contracting for sales, marketing and distribution capabilities and regulatory compliance capabilities, if we commercialize any of our product candidates for which we obtain regulatory approval without a partner;
- the timing and terms of any collaborative, licensing and other strategic arrangements that we may establish;
- the extent to which we will need to rebuild our workforce, which currently consists of 12 employees, and the costs involved in recruiting, training and incentivizing new employees;
- the effect of competing technological and market developments; and
- the cost involved in establishing, enforcing or defending patent claims and other intellectual property rights.

We anticipate that our cash and cash equivalents as of June 30, 2011, which were approximately $42.0 million, will be sufficient to fund our currently planned level of operations at least the next 12 months. However, we may determine to grow our organization and/or pursue development and/or commercialization activities for our current or future product candidates at levels or on timelines, or we may incur unexpected expenses, that shorten the period through which our current operating funds will sustain us. We may also acquire new technologies, product candidates and/or products and the cost to acquire, develop and/or commercialize such new technologies, product candidates and/or products may shorten the period through which our current operating funds will sustain us. We may seek additional funding through public or

private sales of our equity securities, debt financings, collaborations, licensing arrangements or other strategic or partnering transactions. However, we may not be able to obtain sufficient additional funding on satisfactory terms, if at all. We believe global economic conditions, including the continued volatility of U.S. and international equity markets, may adversely impact our ability to raise additional capital.

We may incur substantial costs in connection with evaluating and negotiating future strategic or partnering and/or capital-raising transactions, the effect of which may be to shorten the period through which our current operating funds will sustain us. Even if we incur costs in pursuing, evaluating and negotiating particular strategic or partnering and/or capital-raising transactions, our efforts may not prove successful.

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

Historically, we have raised capital through the sale and issuance of our equity securities. Our ability to raise additional capital through the sale and issuance of our equity securities may be limited by, among other things, current SEC and NYSE Amex rules and regulations. Since June 2009, we completed six equity financings under shelf registration statements on Form S-3. Use of a shelf registration statement for primary offerings typically enables an issuer to raise additional capital on a more timely and cost

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effective basis than through other means, such as registration of a securities offering under a Form S-1 registration statement. Under current SEC rules and regulations, to be eligible to use a Form S-3 registration statement for primary offerings without restriction as to the amount of securities to be sold and issued, an issuer must, among other requirements, have outstanding common equity with a market value of at least $75.0 million held by non-affiliates. If we file a shelf Form S-3 registration statement at a time when the aggregate market value of our common stock held by non-affiliates, or public float, is less than $75.0 million (calculated as set forth in Form S-3 and SEC rules and regulations), the amount we could raise through primary offerings of our securities in any 12-month period using the Form S-3 registration statement may be limited to an aggregate of one-third of our public float. Moreover, the market value of all securities sold by us under a Form S-3 registration statement during the prior 12 months may be subtracted from that amount to determine the amount we can then raise under the Form S-3 registration statement. Even if we file a shelf Form S-3 registration statement at a time when our public float is $75.0 million or more (calculated as set forth in Form S-3 and SEC rules and regulations), we may become subject to the one-third of public float limitation described above in the future. The SEC s rules and regulations require that we periodically re-evaluate the value of our public float. If, at a re-evaluation date, our public float is less than $75.0 million (calculated as set forth in Form S-3 and SEC rules and regulations), the amount we could raise through primary offerings of our securities in any 12-month period using a Form S-3 registration statement would be subject to the one-third of public float limitation described above.

In addition, under current SEC rules and regulations, if our public float is less than $75.0 million or if we seek to register a resale offering (i.e., an offering of securities of ours by persons other than us), we must, among other requirements, maintain our listing with the NYSE Amex or have our common stock listed and registered on another national securities exchange in order to be eligible to use a Form S-3 registration statement for any primary or resale offering. Alternative means of raising capital through sales of our securities, including through the use of a Form S-1 registration statement, may be more costly and time-consuming.

Currently, our common stock is listed on the NYSE Amex equities market. The NYSE Amex will review the appropriateness of continued listing of any issuer that falls below the exchange s continued listing standards. Previously, including during part of 2010, we were not in compliance with certain NYSE Amex continued listing standards and were at risk of being delisted from the NYSE Amex equities market. For additional information regarding this risk, see the risk factor below titled If we are unable to maintain compliance with NYSE Amex continued listing standards, we may be delisted from the NYSE Amex equities market, which would likely cause the liquidity and market price of our common stock to decline. If our common stock were delisted from the NYSE Amex, our ability to raise capital on terms and conditions we deem acceptable, if at all, may be materially impaired.

Our ability to timely raise sufficient additional capital also may be limited by the NYSE Amex s requirements relating to stockholder approval for transactions involving the issuance of our common stock or securities convertible into our common stock. For instance, the NYSE Amex requires that we obtain stockholder approval of any transaction involving the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value, which (together with sales by our officers, directors and principal stockholders) equals 20% or more of our presently outstanding common stock, unless the transaction is considered a public offering by the NYSE Amex staff. Based on our outstanding common stock as of September 30, 2011 and a closing price of $0.84, which was the closing price of our common stock on October 5, 2011, we could not raise more than approximately $4.4 million without stockholder approval, unless the transaction is deemed a public offering or does not involve the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value. However, certain prior sales by us may be aggregated with any offering we may propose in the near-term, further limiting the amount we could raise in any future offering that is not considered a public offering by the NYSE Amex staff and would involve the sale, issuance or potential issuance by us of our common stock (or securities convertible into our common stock) at a price less than the greater of book or market value. The NYSE Amex will also require stockholder approval if the issuance or potential issuance of additional shares will be considered by the exchange staff to result in a change of control of us.

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

Our ability to raise capital may be limited by contractual restrictions.

In the past, in connection with raising capital through the sale and issuance of our equity securities, we have agreed to certain restrictions on our ability to raise additional capital through additional equity financing transactions. For example, in connection with an equity financing we completed in July 2005, we entered into a rights agreement with certain of the purchasers of our securities, including entities affiliated with Carl

C. Icahn. Pursuant to the Rights Agreement, dated July 27, 2005, as amended, or the Rights Agreement, we agreed to, among other things, grant the investors that were party to the Rights Agreement, or the Rights Investors, the

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right to participate in sales of our securities for up to seven years (with certain enumerated exceptions as set forth in the Rights Agreement). Pursuant to the Rights Agreement, we must notify the Rights Investors of certain proposed transactions on the timeline specified in the Rights Agreement. In many of our prior financing transactions, we have requested and received waivers from the Rights Investors with respect to their participation rights, but if we are unable to obtain such waivers in a timely manner, or at all, with respect to future financing transactions, we may be unable to consummate a financing that otherwise may be available to us and in the best interest of our company and stockholders.

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

We may raise additional capital at any time and may do so through one or more financing alternatives, including public or private sales of our equity securities, debt financings, collaborations, licensing arrangements or other strategic transactions. Each of these financing alternatives carries certain risks. Raising capital through the issuance of common stock may depress the market price of our stock and may substantially dilute our existing stockholders. If we instead seek to raise capital through strategic transactions, such as licensing arrangements or sales of one or more of our technologies or product candidates, we may be required to relinquish valuable rights and dilute the current and future value of our assets. For example, any licensing arrangement would likely require us to share a significant portion of any revenues generated by our licensed technologies with our licensees. Additionally, our control over the development and/or marketing of any products or product candidates licensed or sold to third parties may be reduced and thus we may not realize the full value of any such products or product candidates. Debt financings could involve covenants that restrict our operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets, as well as prohibitions on our ability to create liens or make investments and may, among other things, preclude us from making distributions to stockholders (either by paying dividends or redeeming stock) and taking other actions beneficial to our stockholders. In addition, investors could impose more one-sided investment terms and conditions on companies that have or are perceived to have limited remaining funds or limited ability to raise additional funds. The lower our cash balance, the more difficult it is likely to be for us to raise additional capital on commercially reasonable terms, or at all.

Our business may suffer if we are unable to retain and attract key personnel and manage internal growth.

We are highly dependent on the expertise and deep background in our product candidates of our chief executive officer and our president and chief operating officer. If we lose one or both of these key employees, our ability to successfully implement our current business strategy could be seriously harmed. Replacing these key employees may be difficult and take an extended period of time, particularly due to the fact that we currently do not have other executive officers or personnel to assume all of the responsibilities of these key employees and the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses, particularly in the San Diego, California area. Our chief executive officer and our president and chief operating officer may terminate their employment with us at any time with or without notice.

In addition, we may seek to increase the size of our organization in connection with initiating clinical activities with respect to ANX-188 and ANX-514, should we reach agreement with the FDA regarding clinical studies for those product candidates. Currently, we have only 12 employees and we rely on third parties to perform many essential services for us. The success of our business will depend, in part, on our ability to attract and retain highly qualified personnel, and on our ability to develop and maintain important relationships with respected service providers and industry-leading consultants and advisors. Competition for these types of personnel and relationships is intense from numerous pharmaceutical and biotechnology companies, universities and other research organizations, particularly in the San Diego, California area. Recruiting and retaining employees, including senior-level personnel, with relevant product development and regulatory experience may be costly and time-consuming. Our ability to provide competitive compensation to our management and other employees may also be adversely affected by our capital resources and our highly volatile and currently low stock price. If we cannot attract and retain additional skilled personnel, we may not achieve our development and other goals.

If we are unable to raise sufficient additional capital as needed, we may be forced to reduce our current and/or planned development activities, partner our product candidates or products at inopportune times or pursue less expensive but higher-risk development paths, which we have done in the past.

Although we anticipate that our cash as of June 30, 2011 will be sufficient to fund our operations at their current levels for at least the next 12 months, we expect to need to raise additional capital in order to execute our current business plan. If we are not able to raise sufficient additional capital, we may be required to reduce our development activities or attempt to continue them by entering into arrangements with partners or others that may not be available on favorable terms, or at all, and may require us to relinquish some or all of our rights to our product candidates or products or the financial benefits thereof. For example, in late 2008, due to an immediate need for additional capital, we discontinued all of our development programs other than with respect to Exelbine and ANX-514 and limited our activities with respect to Exelbine and ANX-514 to those we believed necessary to preparing and submitting NDAs for Exelbine and ANX-514. Going forward, if we do not have sufficient capital, we may determine, for example, not to conduct the randomized safety study comparing ANX-514 and Taxotere, which the FDA has indicated would be required to support approval

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of ANX-514 or any additional clinical and/or nonclinical studies that may be required by the FDA to support approval of ANX-514, any post-approval clinical studies to support uses of ANX-514 in new indications or other label changes intended to expand the scale and scope of its market potential, or any clinical and/or nonclinical studies that may be required by the FDA to support approval of ANX-188.

Our failure to successfully acquire, develop and commercialize additional technologies, product candidates and/or products may impair our ability to grow.

During 2010 and the first half of 2011, our business strategy involved a particular focus on expanding our product pipeline through one or more in-license, asset acquisition or merger transactions. Although, currently, we are focused on developing our two lead product candidates, we continue to evaluate strategic transaction opportunities that we believe may increase the value of our company. Because we neither have, nor currently intend to establish, internal research capabilities, we are dependent upon pharmaceutical and biotechnology companies, universities and other research organizations to sell or license technologies, product candidates, products or businesses to us. The process of identifying, evaluating, negotiating and implementing the purchase or license of new assets is lengthy and complex and may disrupt other development programs and distract our personnel. We have limited experience and resources with respect to identifying, evaluating, negotiating and implementing the acquisition of new assets or rights thereto and integrating them into our current infrastructure. Supplementing our current resources to complete one or more transactions may be costly. In addition, given our recent market capitalization and our desire to preserve our cash for development activities, any merger or other business combination transaction pursuant to which we acquire additional technologies, product candidates and/or products primarily will involve the issuance of shares of our common stock, or securities convertible into our common stock. For example, in addition to the 2,800,851 shares we issued upon the completion of our acquisition of SynthRx, we could issue up to an aggregate of 13,478,050 additional shares of our common stock to SythRx s former stockholders upon achievement of milestones related to the development and regulatory approval of ANX-188 for the treatment of sickle cell crisis in children. If all milestones are achieved without reduction, the number of shares we issue in connection with the SynthRx acquisition would, in the aggregate, represent an approximately 41% ownership stake in our company (based on currently outstanding shares plus shares issued in connection with the acquisition). The issuance of shares in connection with other future strategic transactions, if any, may result in the stockholders who own the majority of our voting securities prior to one or more of such transactions owning less than a majority after such transactions.

Our success in acquiring or acquiring rights to new technologies, product candidates and/or products may also be adversely affected by competition for the same assets by other companies, including some with substantially greater development and commercialization resources and with a proven record of successfully developing and/or commercializing product candidates. In addition, we may not be able to identify, acquire or acquire the rights to additional technologies, product candidates and/or products on terms that we find acceptable, or at all.

Any technology and/or product candidate that we acquire or to which we acquire rights likely will require additional development efforts prior to commercial sale, including extensive clinical testing and approval by the FDA and applicable foreign regulatory authorities. All product candidates are subject to risks of failure typical of pharmaceutical product development, including the possibility that a product candidate will not be shown to be sufficiently safe or effective for approval by regulatory authorities and other risks described under the section titled Risks Related to Drug Development and Commercialization.

If we acquire or acquire rights to new technologies, product candidates and/or products and fail to integrate them successfully into our operations, we may incur unexpected costs and disruptions to our business.

We may evaluate new technologies, product candidates and/or products that we believe have a strategic fit with our current or future business strategy. However, any future strategic transaction, including any in-license, asset acquisition and merger transaction, may entail numerous operational and financial risks, including:

- exposure to unknown liabilities;
- disruption of our business and diversion of our management s time and attention to develop and/or commercialize acquired technologies, products candidates and/or products;
- incurrence of substantial debt or dilutive issuances of securities to pay for acquisitions;

higher than expected acquisition and integration costs;

increased amortization expenses;

difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel;

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impairment of relationships with key suppliers and/or customers of any acquired businesses due to changes in management and ownership; and

inability to retain key employees of any acquired businesses.

We may devote resources to potential acquisition or in-licensing opportunities that are never completed, or we may fail to realize the anticipated benefits of such efforts.

The use of our net operating loss carry forwards and research and development tax credits has been and may be limited further by changes in ownership within the meaning of IRC Section 382.

Our net operating loss carry forwards and research and development tax credits may expire and not be used. As of December 31, 2010, we had generated federal and state net operating loss carry forwards of approximately $31.5 million and $34.4 million, respectively, and federal and state research and development tax credit carry forwards of approximately $145,000 and $87,000, respectively. Federal net operating loss carry forwards and research and development tax credits have a 20-year carry forward period and California net operating losses have a carry forward period that varies depending on the year such net operating losses are generated. California research and development tax credits carry forward indefinitely. Our federal net operating loss carry forwards will begin to expire in 2016 and our California net operating loss carry forwards will begin to expire in 2013 if we have not used them prior to that time. Our federal research and development tax credits will begin to expire in 2029.

Pursuant to Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or IRC, our ability to use any net operating loss carry forwards and research and development credits to offset taxable income in the future is limited if we experience a cumulative change in ownership of more than 50% within a three-year period. During 2010, we completed an analysis to determine whether any such change in ownership had occurred during the period from January 1, 2008 through January 7, 2010, and identified several changes in ownership within the meaning of IRC Section 382. Upon application of limitations prescribed by IRC Section 382, we determined that our net operating loss carry forwards and research and development credits were significantly adversely affected by the identified changes in control, and we adjusted our deferred tax assets accordingly. We have not completed an analysis to determine whether any change in ownership within the meaning of IRC Section 382 has occurred since January 7, 2010, but we believe a change in ownership may have occurred as a result of our equity securities financings in May 2010 and January 2011. If any such change in ownership has occurred since January 7, 2010 or were to occur in the future, the amount of our net operating loss carry forwards and research and development tax credits we could utilize annually in the future to offset taxable income could be further significantly restricted or eliminated. Inability to fully utilize our net operating loss carry forwards and research and development tax credits could have an adverse impact on our financial position and results of operations.

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to annually furnish a report by our management on our internal control over financial reporting. Such report must contain, among other matters, an assessment by our principal executive officer and our principal financial officer on the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective as of the end of our fiscal year. This assessment must include disclosure of any material weakness in our internal control over financial reporting identified by management. Performing the system and process documentation and evaluation needed to comply with Section 404 is both costly and challenging. In addition, because our public float was more than $75 million as of June 30, 2011, we will be required, for the first time in several years, to obtain an attestation report from our independent registered public accounting firm as to our year-end assessment of the effectiveness of our internal control over financial reporting, which likely will consume significant additional financial and managerial resources.

We have in the past discovered, and may in the future discover, areas of internal controls that need improvement. For example, during the fourth quarter of 2008, we discovered that we did not correctly apply generally accepted accounting principles relating to accounting for warrant liability because our accounting staff did not have adequate training or expertise, and determined that we had a material weakness in our internal control over financial reporting as of December 31, 2007. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. For a detailed description of this material weakness and our remediation of this material weakness, see Part II Item 9A(T) Controls and Procedures of our annual report on Form 10-K for the year ended December 31, 2008. If we identify a material weakness in our internal control over financial reporting in the future, we may not be able to conclude that our internal control over financial reporting is effective, and we may need to implement expensive and time-consuming remedial measures. As a result of reductions in our workforce and other personnel departures that occurred in 2008 and 2009, we have experienced substantial turnover in our

personnel responsible for performing activities related to our internal control over financial reporting. From July 2009 to March 2011, our

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president and chief operating officer, who has no formal education in finance or accounting, served as our principal financial and principal accounting officer. He continues to serve as our principal financial officer. We have used third-party contractors in an effort to maintain effective internal control over financial reporting during and since that turn-over period. However, we cannot be certain that a material weakness will not be identified in the future and, if we fail to maintain effective internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on our stock price.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. 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.

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

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

Risks Related to Drug Development and Commercialization

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

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

To varying degrees based on the regulatory plan for each of our product candidates, the effect of government regulation and the need for FDA and other regulatory agency approval will delay commercialization of our product candidates, impose costly procedures upon our activities, and put us at a disadvantage relative to larger companies with which we compete. There can be no assurance that FDA or other regulatory approval for any product candidates developed by us, alone or with a future partner, will be granted on a timely basis, or at all. For example, in August 2011, we received a complete response letter from the FDA stating that it could not approve the Exelbine NDA in its present form. In particular, the letter stated that, based on inspections at clinical sites, the authenticity of the drug products used in the pivotal bioequivalence trial could not be verified and that the bioequivalence trial would need to be repeated to address this deficiency. During a meeting with the FDA in September 2011, FDA staff indicated that the failure of the clinical sites to randomly select and retain reserve samples of the test article (Exelbine) and reference standard (Navelbine) could not be overcome by alternative methods of verifying authenticity and reiterated that the bioequivalence study would need to be repeated. As a result, we discontinued making significant additional capital investments into the Exelbine program and are seeking a partner or outside investor for the program. In addition, with respect to ANX-514, the FDA has indicated that, in addition to Study 514-01, a randomized safety study comparing ANX-514 and Taxotere would be required in an appropriate patient population to support approval of ANX-514, which has increased our estimated development time and expense for ANX-514 relative to our prior estimates based on a single bioequivalence study regulatory pathway. Furthermore, even though the FDA has confirmed the appropriateness of a Section 505(b)(2) regulatory path for ANX-514, the FDA s views may change and the FDA may not allow us to rely on data regarding the safety and efficacy of Taxotere in its evaluation of an NDA for ANX-514, in which case we likely would need to conduct substantial, additional clinical and nonclinical work. In this case, we may determine that the associated time and cost are not financially justifiable and, as a result, discontinue our ANX-514 program. If we discontinue our ANX-514 program, our business and stock price may suffer.

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

We may not achieve our projected development, commercialization and other goals in the time frames we announce. Delays in the commencement or completion of nonclinical testing, bioequivalence or clinical trials or manufacturing, regulatory or other activities could result in increased costs to us and delay or limit our ability to generate revenues.

We set goals for and make public statements regarding our estimates of the timing of the accomplishment of objectives material to successful development, approval and future commercialization of our product candidates. The actual timing of these events can vary dramatically due to any number of factors, including delays or failures in our nonclinical testing, bioequivalence and clinical trials and manufacturing, regulatory and commercial launch activities and the uncertainties inherent in the regulatory approval process. For example, while our regulatory strategy for ANX-514 previously had been to demonstrate its bioequivalence to Taxotere in a small, bioequivalence trial in humans, in February 2011, we announced that the FDA determined ANX-514 could not be approved based on the findings from Study 514-01 and indicated that a randomized safety study comparing ANX-514 and Taxotere would be required in an appropriate patient population to support approval of ANX-514. The FDA recommended that the study also collect data on response rate and duration of response. We are developing a protocol for a pivotal safety study and intend to discuss it with the FDA during the fourth quarter of 2011. The FDA s requirements for development activities beyond Study 514-01 will significantly increase the time and cost associated with seeking regulatory approval of ANX-514 relative to our previously planned regulatory approval pathway for ANX-514. In addition, we may determine to conduct clinical studies with respect to ANX-514 to support uses in new indications or other label changes or for other reasons. With respect to ANX-188, we plan to meet with the FDA to reach agreement on a single, phase 3 clinical trial protocol that would support approval of ANX-188 for the treatment of pediatric patients with sickle cell disease in acute crisis. Although the safety and efficacy of poloxamer 188 and ANX-188 in sickle cell disease have been evaluated in multiple clinical studies by prior sponsors and we believe that a single, properly designed and executed phase 3 clinical trial will demonstrate that ANX-188 is an effective treatment for patients with sickle cell disease in acute crisis and support approval of an ANX-188 NDA for that indication, the FDA may require additional nonclinical testing and/or clinical studies for regulatory approval.

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

- delays in reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and contract manufacturing organizations, or CMOs, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and CMOs;
- failures on the part of our CROs and CMOs in developing procedures and protocols or otherwise conducting activities on timeframes requested by us;
- delays in identifying and hiring or engaging, as applicable, additional employees or consultants to assist us in managing CRO and/or CMO activities;
- changes in regulatory requirements or other standards or guidance relating to nonclinical testing, including testing of pharmaceutical products in animals;
- a lack of availability of capacity at our CMOs, or of the component materials, including the active pharmaceutical ingredient, or API, or related materials, including vials and stoppers, necessary to manufacture our product candidates or products; and

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

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

obtaining regulatory approval to commence a trial;

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

identifying and hiring or engaging, as applicable, additional employees or consultants to assist us in managing a trial and analyzing the data resulting from a trial;

manufacturing sufficient quantities of a product candidate;

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

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

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

Even if we complete a planned bioequivalence or clinical trial, we may not achieve our projected development, approval, commercialization or other goals in the time frames we initially anticipate or announce. For example, in August 2011, we received a complete response letter from the FDA stating that the pivotal bioequivalence study of Exelbine would need to be repeated. Thereafter, we discontinued making significant additional capital investments into the Exelbine program and are seeking a partner or outside investor for the program. With respect to ANX-514, in February 2011, we announced that, because the Cmax for total docetaxel was higher in patients who received ANX-514 relative to those who received Taxotere in Study 514-01, the FDA indicated that a randomized safety study comparing ANX-514 and Taxotere would be required in an appropriate patient population to support approval of ANX-514. As a result of the FDA s additional requirements with respect to the regulatory approval pathway for ANX-514, there is substantial uncertainty as to the cost and timeline to obtaining FDA approval for ANX-514.

In addition to the potential for delays in commencing and completing a bioequivalence or clinical trial described above, a trial may be suspended or terminated by us, an IRB, the FDA or other regulatory authorities due to a number of factors, including:

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

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

unforeseen safety issues; or

lack of adequate funding to continue the trial.

Additionally, changes in regulatory requirements and guidance relating to bioequivalence or clinical trials may occur and we may need to amend trial protocols to reflect these changes. Amendments may require us to resubmit protocols to IRBs for reexamination or renegotiate terms with CROs, trial sites and trial investigators, all of which may impact the costs, timing or successful completion of a trial. Changes may also occur in regulatory requirements or policy during the period of product development and/or regulatory review of a submitted NDA relating to the data required to be included in marketing applications. For example, despite including in our initial Exelbine NDA submission in December 2009 data that we believe met the filing requirementCCEEFF" style="background:#CCEEFF;padding:0in 0in 0in 0in;width:6.64%;">

68.50

$

55.54

-18.92

%

No, and HAL has the largest percentage decline

Example 3 On the Calculation Date, the Final Level of all of the Reference Assets are below the Initial Levels of the Reference Assets, but exceed the Conversion Prices of such Reference Assets. Because the Final Level of all of the Reference Assets are above the Conversion Prices, you would have received a payment of $100,000 at maturity (plus a $6,250.00 coupon).

Reference Asset	Initial Level	Final Level	Percentage Change in the Value of the Reference Asset	Final Level at or above Conversion Price?	Payment and Redemption of Notes at Maturity
XOM	$ 60.00	$ 59.81	-0.32%	Yes	Note pays $6,250.00 coupon; principal redeems for $100,000 in cash.
COP	$ 60.00	$ 57.63	-3.95%	Yes	
HAL	$ 68.50	$ 63.41	-7.43%	Yes	

Example 4 On the Calculation Date, the Final Level of one of the Reference Assets is below the Conversion Price for such Reference Asset, while the Final Level of the other two Reference Assets exceed the Conversion Prices for those Reference Assets. Because the Final Level of at least one of the Reference Assets is below the Conversion Price, you will receive, at our option, 1,800 (Exchange Ratio of 18 for COP per $1,000 par amount) shares of such Reference Asset with the greatest percentage price decline, ConocoPhillips, plus the Fractional Share Cash Amount of $2,625.62 (for each $1,000 par amount, 0.519 fractional shares times the Final Level of $50.59 per share), plus the $6,250.00 coupon with a total value of $99,937.62 or the equivalent amount in cash. You would have lost -0.06% on your investment in the Notes.

Reference Asset	Initial Level	Final Level	Percentage Change in the Value of the Reference Asset	Final Level at or above Conversion Price?	Payment and Redemption of Notes at Maturity
XOM	$ 60.00	$ 78.12	+30.20%	Yes	

						Note pays $6,250.00 coupon; principal redeems for 1,800 shares of COP plus 0.852 fractional shares in cash.
COP	$	60.00	$	50.59	-15.68%	No
HAL	$	68.50	$	85.98	+25.52%	Yes

The following tables set forth on a per share basis the highest and lowest intraday sale prices during the applicable quarter, as well as end-of-quarter closing prices, for the Reference Assets during the periods indicated below. We obtained the information in the tables below from Bloomberg Financial Markets, without independent verification.

1. **Exxon Mobil Corporation**

Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close	Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close
March 30, 2001	44.88	40.50	37.60	December 31, 2003	41.13	41.00	35.05
June 29, 2001	45.84	43.68	38.50	March 31, 2004	43.40	41.59	39.91
September 28, 2001	44.40	39.40	35.01	June 30, 2004	45.53	44.41	41.43
December 31, 2001	42.70	39.30	36.41	September 30, 2004	49.79	48.33	44.20
March 29, 2002	44.29	43.83	37.60	December 31, 2004	52.05	51.26	48.18
June 28, 2002	44.58	40.92	38.50	March 31, 2005	64.37	59.60	49.25
September 30, 2002	41.10	31.90	29.75	June 30, 2005	61.74	57.47	52.78
December 31, 2002	36.50	34.94	32.03	September 30, 2005	65.96	63.54	57.60
March 31, 2003	36.60	34.95	31.58	December 31, 2005	63.89	56.17	54.50
June 30, 2003	38.45	35.91	34.20	January 1, 2006 to March 15, 2006 only	63.96	57.87	60.81
September 30, 2003	38.50	36.60	34.90				

2. **ConocoPhillips**

Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close	Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close
March 30, 2001	27.53	25.85	29.50	December 31, 2003	32.79	27.15	33.02
June 29, 2001	28.50	26.39	34.00	March 31, 2004	34.91	32.15	35.75
September 28, 2001	26.97	25.00	29.93	June 30, 2004	38.15	34.29	39.50
December 31, 2001	30.13	25.33	30.48	September 30, 2004	41.43	35.64	42.18
March 29, 2002	31.40	27.65	31.90	December 31, 2004	43.42	40.75	45.61
June 28, 2002	29.44	27.27	32.05	March 31, 2005	53.92	41.40	56.99
September 30, 2002	23.12	22.38	29.61	June 30, 2005	57.49	47.55	61.36
December 31, 2002	24.20	22.02	25.38	September 30, 2005	69.91	58.05	71.48
March 31, 2003	26.80	22.57	26.93	December 31, 2005	58.18	57.05	70.66
June 30, 2003	27.40	24.84	27.98	January 1, 2006 to March 15, 2006 only	66.25	58.01	60.83
September 30, 2003	27.38	25.65	28.77				

3. **Halliburton Company**

Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close	Quarter Ending	Quarterly High	Quarterly Low	Quarterly Close
March 30, 2001	45.90	34.81	36.75	December 31, 2003	27.20	22.23	26.00
June 29, 2001	49.25	32.20	35.60	March 31, 2004	32.70	25.80	30.39
September 28, 2001	36.79	19.35	22.55	June 30, 2004	32.35	27.35	30.26
December 31, 2001	28.90	10.94	13.10	September 30, 2004	33.98	26.45	33.69
March 29, 2002	18.00	8.60	17.07	December 31, 2004	41.69	33.08	39.24
June 28, 2002	19.63	14.60	15.94	March 31, 2005	45.29	37.18	43.25
September 30, 2002	16.00	8.97	12.91	June 30, 2005	49.39	39.65	47.82
December 31, 2002	21.65	12.45	18.71	September 30, 2005	69.78	45.76	68.52
March 31, 2003	22.10	17.20	20.73	December 31, 2005	69.37	54.70	61.96
June 30, 2003	25.37	19.98	23.00	January 1, 2006 to March 15, 2006 only	82.39	63.99	69.79
September 30, 2003	25.90	20.50	24.25				

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

You should carefully consider, among other things, the matters set forth in Certain U.S. Federal Income Tax Considerations in the Prospectus Supplement. In the opinion of Cadwalader, Wickersham & Taft LLP, special U.S. tax counsel to us, the following discussion summarizes certain of the material U.S. federal income tax consequences of the purchase, beneficial ownership, and disposition of Notes.

There are no regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as those of the Notes. Under one approach, each Note should be treated as a put option written by you (the Put Option) that permits us to (1) sell the Reference Asset to you at maturity for an amount equal to the Deposit (as defined below) or (2) cash settle the Put Option (i.e., require you to pay us at maturity the difference between the Deposit and the Final Level of the Reference Asset), and a

deposit with us of cash in an amount equal to the principal amount you invested (the Deposit) to secure your potential obligation under the Put Option. We intend to treat the Notes consistent with this approach. Pursuant to the terms of the Notes, you agree to treat the Notes as cash deposits and put options with respect to the Reference Asset for all U.S. federal income tax purposes. We also intend to treat the Deposits as short-term obligations for U.S. federal income tax purposes. Please see the discussion under the heading Certain U.S. Federal Income Tax Considerations Tax Treatment of U.S. Holders Short-Term Deposits in the accompanying Prospectus Supplement for certain U.S. federal income tax considerations applicable to short-term obligations.

The table below indicates the yield on the Deposit and the Put Premium, as described in the Prospectus Supplement under the heading Certain U.S. Federal Income Tax Considerations. If the Internal Revenue Service (the IRS) were successful in asserting an alternative characterization for the Notes, the timing and character of income on the Notes might differ. We do not plan to request a ruling from the IRS regarding the tax treatment of the Notes, and the IRS or a court may not agree with the tax treatment described in this pricing supplement.

Term to Maturity	Coupon Rate	Yield on the Deposit, per Annum	Put Premium
6-months	[6.25]%	[%]	[%]