PRO PHARMACEUTICALS INC
Form 10-K
March 28, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2007

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File No. 000-32877

PRO-PHARMACEUTICALS, INC.

Nevada	**04-3562325**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**
7 Wells Avenue, Newton, Massachusetts	**02459**
(Address of Principal Executive Offices)	**(Zip Code)**

(617) 559-0033

(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Exchange on which registered
Common Stock, Par Value $.001	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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.

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of June 29, 2007 was $11,046,971.

The number of shares outstanding of the registrant s common stock as of March 28, 2008 was 47,864,792.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2008 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management s current expectations and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those described in such statements. We caution investors that actual results or business conditions may differ materially from those projected or suggested in forward-looking statements as a result of various factors including, but not limited to, the following: uncertainties as to the utility and market for our potential products; uncertainties associated with pre-clinical and clinical trials of our product candidates; our limited experience in product development and expected dependence on potential licensees and collaborators for commercial manufacturing, sales, distribution and marketing of our potential products; possible development by competitors of competing products and technologies; lack of assurance regarding patent and other protection of our proprietary technology; compliance with and change of government regulation of our activities, facilities and personnel; uncertainties as to the extent of reimbursement for our potential products by government and private health insurers; our dependence on key personnel; our history of operating losses and accumulated deficit; and economic conditions related to the biotechnology and biopharmaceutical industry. We cannot assure you that we have identified all the factors that create uncertainties. Readers should not place undue reliance on forward-looking statements.

PART I

Item 1. ***Business***

We are a development-stage company engaged in the discovery, development, and commercialization of first-in-class, targeted therapeutic compounds for advanced treatment of cancer, liver, microbial and inflammatory diseases. Our initial focus is the development of a new generation of anti-cancer treatments using carbohydrate polymers to increase survival and improve the quality of life for cancer patients. DAVANAT®, our lead pipeline candidate, is a new, proprietary chemical entity that is currently in Phase II trials for first-line treatment of colorectal and biliary cancer.

Our proprietary technologies are target therapies that can also be used to treat other serious diseases such as liver and kidney fibrosis. We entered into research collaborations with the Mount Sinai School of Medicine to study the anti-fibrotic effects of our novel carbohydrate compounds on liver fibrosis and with Brigham and Women s Hospital to evaluate the anti-fibrotic effects of these compounds to treat acute and chronic kidney disease. Our first-in-class, novel carbohydrate compounds significantly reduced collagen expression and reversed fibrosis in animal models. Whereas previously, *in vitro* data indicated a reversal of fibrosis markers, in this proof-of-concept animal study, the compounds clearly reduced collagen expression and reversed liver fibrosis.

We were incorporated under Nevada law in January 2001 and in May of that year acquired a Massachusetts corporation engaged in the business we now undertake. We have a wholly-owned Delaware subsidiary that we formed in 2003 to hold our cash and cash equivalents in a tax efficient manner

Background on Carbohydrates

In order to function biologically, living organisms require the capability to recognize cellular information and trigger and perform biochemical reactions. Organisms as complex as human beings require systems with extraordinarily large capacity to recognize and translate information on a molecular level because of the tremendous number of different molecular messages that must be quickly and unambiguously deciphered, accepted or rejected. To accomplish this important task, a class of molecules capable of great variation in shape, orientation and composition is required. Carbohydrates serve this function in the body because they have the large range of structural properties, including linkage variations, branching and anomeric isomers, that enables them to provide the required cellular recognition capabilities. These complex molecules are also referred to as polysaccharides or complex sugars.

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The particular role of carbohydrates, in this regard, is recognition of molecular information that triggers biological reactions. These activities include signal transmission, cell recognition, interaction and binding by other cells, hormones and viruses. Carbohydrates often accomplish this by working with lectins, which are carbohydrate binding proteins that exist on cells. Biological processes that involve lectin binding include a vast array of cell-cell interactions including infections, toxins and many physiological processes such as control and spread of metastasis.

Strengths and Strategies

Focus on novel therapeutic opportunities provided by carbohydrates. As a result of their structural complexity, carbohydrates have not received as much scientific attention as nucleic acids and proteins, and are not as well understood. Carbohydrate molecules, which are essential to the transmission and recognition of cellular information, have been shown to play an important role in major diseases including cancer, cardiovascular disease, Alzheimer s disease, inflammatory disease and viral infections. We believe this offers a largely untapped area for treatment of disease including chemotherapeutics, infection treatment, vaccines and antibiotics. Our company is one of the pioneers focused on development of carbohydrate-based drugs.

Leverage extensive scientific expertise. Our scientists have substantial expertise, developed over decades, in the area of carbohydrates. Our team includes David Platt, our Chief Executive Officer, Anatole Klyosov, our Chief Scientist, and Eliezer Zomer, our Executive Vice President Manufacturing and Product Development. Dr. Platt, a chemical engineer, has conducted research in therapeutic application of carbohydrate technology for 20 years and holds many patents. Dr. Klyosov, who headed the Carbohydrate Research Laboratory at the USSR Academy of Sciences and taught at Harvard Medical School, holds more than 20 patents. Dr. Zomer, a biochemist and holder of more than 20 patents, has more than 20 years experience in the regulatory arena involving pharmaceutical products, development and diagnostics. We believe that this expertise, supplemented by members of our Scientific and Medical Advisory Boards, provides us with a substantial advantage in this relatively new area of drug development.

Apply our technology to broad range of applications. Our research indicates that DAVANAT® also has broad application. Following development of DAVANAT® in combination with chemotherapies and biologics, we plan to combine it with other drugs to extend its use to treat other serious diseases. Pre-clinical studies indicate that DAVANAT® and other proprietary carbohydrates we have in development may have application for advanced treatment of liver, microbial and inflammatory diseases. This could substantially increase the marketability of our products.

Product Development

We are initially developing a pipeline of compounds that may be combined with chemotherapies and biologics so as to improve the clinical benefit to patients. Based on our pre-clinical research, we believe DAVANAT®, when combined with chemotherapies and biologics, can significantly increase the clinical benefit to cancer patients by extending survival and increasing quality of life.

We are developing other carbohydrate-based therapeutic compounds for treatment of other serious disease, such as liver and kidney fibrosis. These product candidates are all in the pre-clinical stage of development.

DAVANAT®

DAVANAT®, our lead product candidate in development, is a proprietary carbohydrate (polysaccharide) polymer comprised of mannose and galactose carbohydrates, that is derived from plant sources has a precisely defined chemical structure. It is the galactomannan isolated from seeds of Cyamopsis Tetragonoloba, and subjected to a controlled partial chemical and physical degradation.

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We believe the mechanism of action for DAVANAT® is based upon interaction with lectins, which are cell surface proteins that bind only to a particular kind of carbohydrate. DAVANAT® is formulated to attach to specific lectins (Galectins), which are abundant on the surface of tumor cells, while selectively avoiding healthy tissue. The galactose residue side chain attached to the carbohydrate polymer backbone targets lectin receptors that are specific and over-expressed on cancer cells. The receptor effectively interacts with the carbohydrate and chemotherapy and/or biologic combination and assists in the accumulation of the chemotherapy in the cancer cell. This may allow for administration of higher doses of chemotherapy thereby increasing efficacy while reducing toxicity.

Pre-clinical Studies of DAVANAT®

Our pre-clinical studies demonstrate that DAVANAT® when used in combination with chemotherapies and biologics may improve the clinical benefit to cancer patients. Pre-clinical studies also demonstrated delayed tumor growth and tumor shrinkage against a control group of animals when DAVANAT® was used in combination with standard therapies. These studies demonstrated that DAVANAT® can be used effectively with different chemotherapies and biologics.

Clinical Trial Development of DAVANAT®

Our clinical trial data to date in late stage cancer patients shows that DAVANAT® extends median survival and improves quality of life. We are currently conducting clinical trials with first line colorectal and biliary cancer patients to demonstrate increased efficacy of DAVANAT® and to further support that this occurs with no increase in key toxicity indicators.

Phase I Trial for Third- and Fourth- Line Patients with Solid Tumors. In 2005, we completed a Phase l study to evaluate DAVANAT®, alone and in combination with chemotherapy, to treat solid tumors in a trial of 40 end-stage patients with advanced solid tumors who failed chemotherapy, radiation therapy, and/or surgical treatments. The objective of the open label study was to evaluate the safety and tolerability of escalating doses of DAVANAT® (30-280mg/m ^{2}) when administered alone and in combination,. The third-and fourth-line cancer patients when entering the study had advanced metastatic tumors that averaged more than 100mm, had progressive disease, and were refractory to chemotherapeutic agents.

Based on objective tumor assessment, the disease was stabilized in 14 of 26 of evaluable patients with measurable disease. Furthermore, 7 of 10 patients were stabilized at the highest dose level of DAVANAT® administered in the sixth and final cohort. Efficacy results are analyzed based on Response Evaluation Criteria in Solid Tumors (RECIST) following completion of the second cycle of treatment. RECIST defines stable disease as [n]either sufficient shrinkage to qualify for Partial Response (more than 30% shrinkage) nor sufficient increase to qualify for Progressive Disease (greater than 20% increase) taking as reference the smallest sum longest diameter since the treatment started.

The Phase I data also indicates that DAVANAT® was well tolerated by patients. The maximum tolerated dose was not reached indicating DAVANAT® is safe and has the potential for further dose escalation. Adverse side effects were primarily disease related. Additionally, the results showed that DAVANAT® remained significantly longer in the bloodstream of cancer patients, increasing efficacy with no increase in toxicity.

Phase II Trial for End Stage Patients with Third- and Fourth- Line Metastatic Colorectal Cancer. In 2004, we initiated a Phase II clinical trial to further evaluate DAVANAT® for end-stage patients with third- and fourth-line metastatic colorectal cancer. The multi-center, open label, single-dose level study was designed to evaluate up to 15 patients in stage one, and up to 18 patients in stage two. The study, which was designed to evaluate the efficacy and safety of DAVANAT® in combination with chemotherapy when administered in monthly cycles, had two objectives: (1) to document the rate of response and stabilization of patients with advanced colorectal cancer; and (2) to continue evaluating

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the safety of the DAVANAT® in combination. Dosing of patients began in May 2005. We stopped recruiting for the study in May 2006 because we achieved our objective. The data for the study indicates that based on objective tumor assessment one patient experienced a partial tumor response and the disease was stabilized in 6 of 20 patients. New data of 20 patients from this trial showed that DAVANAT® extended median survival by more than six months. We tracked these patients and gathered data after they left the trial. The patients entered the trial with disease that progressed despite previously being treated with standard chemotherapies and biologics. Two patients survived more than two years. Data from the trial for all 20 end-stage patients also indicates that DAVANAT® extended median progression free survival to 8.4 weeks.

Phase II Trial for First-line Treatment of Patients with Biliary Cancer. In 2007, we initiated a Phase ll trial for the first-line treatment of patients with biliary cancer. Biliary cancer may represent an opportunity for orphan drug status approval. See FDA Orphan Drug Designation below under Government Regulation. The multi-center, open label, single-dose level study is designed to evaluate up to 42 patients. The study, will evaluate the efficacy and safety of DAVANAT® when administered for at least two monthly cycles or until disease progression. The trial has two objectives: (1) complete/partial tumor response in 20% of patients (17% in the first stage); and (2) the safety of DAVANAT® regimen in this patient population.

Phase II Trial for First-line Patients with Colorectal Cancer. In 2006, we initiated a Phase II trial for first-line treatment of colorectal cancer patients. The multi-center, open label, single-dose level study is designed to evaluate up to 50 patients who are unable to sustain the high toxicity of current intensive combination chemotherapy. The study is expected to evaluate the efficacy and safety of DAVANAT® when administered in combination with the current standard of care in two monthly cycles or until disease progression or toxicity. The primary objectives of the study are a complete or partial response in 33 percent of the patients and a secondary measurement of progression free survival at 6 and 12 months.

Please see Risks Related to our Company Our Drug Candidates Are in Clinical Trials and Results Are Uncertain for additional discussion of risks related to clinical trials.

Patents and Proprietary Rights

Our success and competitiveness depend on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing on the proprietary rights of others. We rely on a combination of patent, trademark, trade secret and copyright law and contract restrictions to protect the proprietary aspects of our technologies. We seek to limit disclosure of our intellectual property by requiring employees, consultants, and any third parties with access to our proprietary information to execute confidentiality agreements and by restricting access to that information.

As of December 31, 2007, we held 5 U.S. patents and have patent applications pending from the U. S. Patent and Trademark Office. Many of our patents and patent applications cover methods and composition for reducing toxicity and enhancing chemotherapeutic drugs by co-administering a polysaccharide with a chemotherapeutic agent. We have corresponding patent applications pending in Europe, Canada, Israel, Brazil, Japan, China and Australia. Additionally, we have patent applications in a number of other areas related to utilizing our carbohydrate-based compounds to treat major disease other than cancer.

Please see Risks Related to our Company We Are a Counterclaim Defendant in a Lawsuit Instituted by CEO David Platt and Risks Related to the Drug Development Industry Our Competitive Position Depends on Protection of Our Intellectual Property for additional discussion of risks related to protection of our intellectual property based on inventions.

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Research

Our initial focus is on the design and analysis of carbohydrate-based compounds to improve the clinical benefit of chemotherapeutic agents and biologics. We contract with independent laboratories and accredited facilities to conduct our research, which is designed, evaluated and managed by our scientists. We do not anticipate building in-house research or development facilities or hiring staff in this connection other than for purposes of designing and managing our out-sourced research.

As we develop products eligible for clinical trials, we contract with independent parties to design the trial protocols, arrange for and monitor the clinical trials, collect data and analyze data. In addition, certain clinical trials for our products may be conducted by government-sponsored agencies and will be dependent on governmental participation and funding. Our dependence on independent parties and clinical sites involves risks including reduced control over the timing and other aspects of our clinical trials.

Our research and development expenditures totaled approximately $15.6 million for the cumulative period from inception (July 10, 2000) through December 31, 2007. During the year ended December 31, 2007, 2006 and 2005 our expenditures for research and development were, respectively, approximately $2.05 million, $3.02 million and $3.04 million.

Reports

Our website is www.pro-pharmaceuticals.com. We make available on this site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports, filed or furnished pursuant to the Securities Exchange Act of 1934 as soon as reasonably practicable after the report are filed electronically with the SEC. The reports may be accessed through our investor relations page.

Manufacturing and Marketing

We are a development company at this time and do not intend to establish internal facilities for the manufacture of our products for clinical or commercial production. To have our products manufactured, we have developed and will continue to develop relationships with third-parties that have established manufacturing capabilities.

Because our products are in the development stage, we have not created a sales and marketing staff to commercialize pharmaceutical products. If we develop products eligible for commercial sale, we will need to develop a sales and marketing capability or rely on third parties such as licensees, collaborators, joint venture partners or independent distributors to market and sell those products. Our dependence on third-party manufacturers and marketers will involve risks relating to our reduced control, and other risks including those discussed in Risk Factors Related to our Company We Will Depend on Third Parties to Manufacture and Market Our Products.

Competition

Many biotechnology and pharmaceutical companies are developing new technologies for the treatment of cancer and other diseases. Technologies such as monoclonal antibodies could be competitive with our carbohydrate-based platforms. Several companies are developing carbohydrate technologies and sequencing of complex sugars to improve or develop new or existing drugs. Other companies are trying to improve the therapeutic profile of widely used protein-based drugs. While these companies may broaden the market for our products they may also provide competitive alternatives to our products.

Please see Risk Factors Related to the Drug Development Industry We Face Intense Competition in the Biotechnology and Pharmaceutical Industries for additional discussion related to our current and potential competition.

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Government Regulation

The research, development, testing, manufacture, labeling, promotion, advertising, distribution, and marketing, among other things, of our products are extensively regulated by governmental authorities in the United States and other countries. In the United States, the FDA regulates drugs under the federal Food, Drug, and Cosmetic Act and its implementing regulations. Failure to comply with the applicable U.S. requirements may subject us to administrative or judicial sanctions, such as FDA refusal to approve pending new drug applications, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, and/or criminal prosecution. Please see Risks Related to the Drug development Industry We Will Need Regulatory Approvals To Commercialize Our Products for additional discussion of risks related to regulatory compliance.

Drug Approval Process

Drugs may not be marketed in the U.S. until the FDA has approved them. The steps required before a drug may be marketed in the U.S. include (similar rules apply in other countries):

1. Pre-clinical laboratory tests, animal studies, and formulation studies,

2. Submission to the FDA of an Investigational New Drug (IND) application for human clinical testing, which must become effective before human clinical trials may begin,

3. Adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug for each indication,

4. Submission to the FDA of a New Drug Application (NDA),

5. Satisfactory completion of an FDA inspection of the manufacturing facility or facilities, at which the drug is produced to assess compliance with current Good Manufacturing Process (cGMP) established by the FDA,

6. FDA review and approval of the NDA, and

7. FDA review and approval of a trademark used in connection with a pharmaceutical.

Pre-clinical tests include laboratory evaluation of product chemistry, toxicity, and formulation, as well as animal studies. The results of the pre-clinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an IND application, which must become effective before human clinical trials may begin. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions about issues such as the conduct of the trials as outlined in the IND. In such a case, the IND sponsor and the FDA must resolve any outstanding FDA concerns or questions before clinical trials can proceed. There is no certainty that submission of an IND will result in the FDA allowing clinical trials to begin.

Clinical trials involve the administration of the investigational drug to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing the objectives of the study, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap or be combined. Each trial must be reviewed and approved by an independent Institutional Review Board (IRB) before it can begin. Study subjects must sign an informed consent form before participating in a clinical trial. Phase I usually involves the initial introduction of the investigational drug into people to evaluate its safety, dosage tolerance, pharmacodynamics, and, if possible, to gain an early indication of its effectiveness. Phase II usually involves trials in a limited patient population to (i) evaluate dosage tolerance and appropriate dosage; (ii) identify possible adverse effects and safety risks; and

(iii) evaluate preliminarily the efficacy of the drug for specific

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indications. Phase III trials usually further evaluate clinical efficacy and test further for safety by using the drug in its final form in an expanded patient population. There is no assurance that these trials will be completed within a specified period of time, if at all.

Assuming successful completion of the required clinical testing, the results of the pre-clinical studies and of the clinical studies, together with other detailed information, including information on the manufacture and composition of the drug, are submitted to the FDA in the form of a New Drug Application (NDA) requesting approval to market the product for one or more indications. Before approving an NDA, the FDA usually will inspect the facilities at which the drug is manufactured, and will not approve the product unless cGMP compliance is satisfactory. If the FDA evaluates the NDA and the manufacturing facilities as acceptable, the FDA will issue an approval letter. If the FDA evaluates the NDA submission or the manufacturing facilities as not acceptable, the FDA will outline the deficiencies in the submission and often will request additional testing or information. Even if an applicant submits the requested additional information, the FDA ultimately may decide that the NDA does not satisfy the regulatory criteria for approval. The testing and approval process requires substantial time, effort, and financial resources, and there is no assurance that any approval will be granted on a timely basis, if at all. After approval, certain changes to the approved product, such as adding new indications, manufacturing changes, or additional labeling claims are subject to further FDA review and approval.

Please see Risks Related to the Drug Development Industry We Will Need Regulatory Approvals to Commercialize Our Products for additional discussion of regulatory risks related to our drug development program.

FDA Priority Review

FDA procedures provide for priority review of an NDA submitted for drugs that, compared to currently marketed products, offer a significant improvement in the treatment, diagnosis, or prevention of a disease. NDAs that are granted priority review are acted upon more quickly than NDAs given standard review. There can be no guarantee that the FDA will grant priority review status in any instance, that priority review status will affect the time of review, or that the FDA will approve the NDA submitted for any of our product candidates, whether or not priority review status is granted.

Post-Approval Requirements

If FDA approval of one or more of our products is obtained, we will be required to comply with a number of post-approval requirements. For example, holders of an approved NDA are required to report certain adverse reactions to the FDA and to comply with certain requirements concerning advertising and promotional labeling for their products. Also, quality control and manufacturing procedures must continue to conform to Current Good Manufacturing Process (cGMP) after approval, and the FDA periodically inspects manufacturing facilities to assess compliance with cGMP. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. In addition, discovery of problems with a product after approval may result in restrictions on a product, manufacturer, or holder of an approved NDA, including withdrawal of the product from the market. Also, new government requirements may be established that could delay or prevent regulatory approval of our products under development.

FDA Orphan Drug Designation

The FDA may grant orphan drug designation to drugs intended to treat a rare disease or condition, which generally is a disease or condition that affects fewer than 200,000 individuals in the United States. Orphan drug designation must be requested before submitting an NDA. After the FDA grants orphan drug designation, the identity of the therapeutic agent and its potential orphan use are publicly disclosed by the FDA. Orphan drug designation does not convey an advantage in, or shorten the duration of, the regulatory review and approval process. If a product which has an orphan drug designation subsequently receives the first FDA approval for the

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indication for which it has such designation, the product is entitled to orphan exclusivity, meaning that the FDA may not approve any other applications to market the same drug for the same indication, except in certain very limited circumstances, for a period of seven years. As well, orphan drugs usually receive ten years of marketing exclusivity in the European Union.

Non-United States Regulation

Before our products can be marketed outside of the United States, they are subject to regulatory approval similar to that required in the United States, although the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country. No action can be taken to market any product in a country until an appropriate application has been approved by the regulatory authorities in that country. The current approval process varies from country to country, and the time spent in gaining approval varies from that required for FDA approval. In certain countries, the sales price of a product must also be approved. The pricing review period often begins after market approval is granted. No assurance can be given that even if a product is approved by a regulatory authority, satisfactory prices will be approved for such product.

Environmental Regulation

Pharmaceutical research and development involves the controlled use of hazardous materials. Biotechnology and pharmaceutical companies must comply with laws and regulations governing the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain materials, biological specimens and wastes. We do not anticipate building in-house research, development or manufacturing facilities, and, accordingly, do not expect to have to comply directly with environmental regulation. However, our contractors and others conducting research, development or manufacturing activities for us may be required to incur significant compliance costs, and this could in turn could increase our expense or delay our completion of research or manufacturing programs.

Employees

As of December 31, 2007, we had seven full-time employees, three of whom are involved primarily in management of our pre-clinical research and development and clinical trials and four of whom are involved primarily in financial management and administration of our company. We also have two part-time contract employees, one of whom provides financial management services and the other serves as our medical director.

Item 1A. ***Risk Factors***

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information before deciding to invest in our common stock. The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently consider immaterial may also adversely affect our business. We have attempted to identify below the major factors that could cause differences between actual and planned or expected results, but we cannot assure you that we have identified all of those factors.

If any of the following risks actually happen, our business, financial condition and operating results could be materially adversely affected. In this case, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Company

We are at an early stage of development and have not generated any revenue. We are a development-stage company with a limited operating history, and we have not generated any revenues to date. We have no therapeutic products available for sale, and none are expected to be commercially available for several years, if at all. We may never generate revenue or become profitable, even if we are able to commercialize any products.

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We have incurred net losses to date and must raise additional capital in 2008. We have incurred net losses in each year of operation. Our accumulated deficit as of December 31, 2007 was approximately $35.2 million We will need to continue to conduct significant research, development, testing and regulatory compliance activities that, together with projected general and administrative expenses, we expect will result in substantial operating losses for the next several years. Accordingly, we do not expect to be generating sales or other revenue and will remain dependent on outside sources of financing during that time. If we are unable to raise funds from outside sources for our continuing operations, we may be adversely affected.

We may raise such capital through public or private equity financings, partnerships, debt financings, bank borrowings, or other sources. Additional funding may not be available on favorable terms or at all. If adequate funds are not otherwise available, we may need to significantly curtail operations. To obtain additional funding, we may need to enter into arrangements that require us to relinquish rights to certain technologies, products and/or potential markets. To the extent that additional capital is raised through the sale of equity, or securities convertible into equity, our equity holders may experience dilution of their proportionate ownership of the company.

Based on approximately $1.3 million of available cash and cash equivalents as of December 31, 2007 and net proceeds of approximately $3.4 million from our registered direct offering completed on February 25, 2008, we believe that we have sufficient capital to fund our operations into October of 2008. We must raise cash before October 2008 or we may not be able to continue operations.

Our drug candidates are based on novel unproven technologies. Our product candidates are based on novel unproven technologies using proprietary carbohydrate compounds in combination with FDA approved drugs currently used in the treatment of cancer and other diseases. Carbohydrates are difficult to synthesize, and we may not be able to synthesize carbohydrates that would be usable as target delivery vehicles for the anti-cancer drugs we are working with or other therapeutics we plan to develop.

Our drug candidates are in clinical trials and results are uncertain. We have one product candidate in human clinical trials. Pre-clinical results in animal studies are not necessarily predictive of outcomes in human clinical trials. Clinical trials are expensive, time-consuming and may not be successful. They involve the testing of potential therapeutic agents, or effective treatments, in humans, typically in three phases, to determine the safety and efficacy of the product candidates necessary for an approved drug. Many products in human clinical trials fail to demonstrate the desired safety and efficacy characteristics. Even if our products progress successfully through initial human testing, they may fail in later stages of development. We may engage others to conduct our clinical trials, including clinical research organizations and, possibly, government-sponsored agencies. These trials may not start or be completed as we forecast, or may be unsuccessful.

Our product candidates may not be successfully commercialized. Even if our product candidates are successful in clinical trials, they may not be successfully commercialized. Potential products may fail to receive necessary regulatory approvals, be difficult to manufacture on a large scale, be uneconomical to produce, fail to achieve market acceptance, or be precluded from commercialization by proprietary rights of third parties.

Our lack of operating experience may cause us difficulty in managing our growth. We have limited experience in manufacturing or procuring products in commercial quantities, conducting other later-stage phases of the regulatory approval process, selling pharmaceutical products, or negotiating, establishing and maintaining strategic relationships. Any growth of our company will require us to expand our management and our operational and financial systems and controls. If we are unable to do so, our business and financial condition would be materially harmed. If rapid growth occurs, it may strain our operational, managerial and financial resources.

We will depend on third parties to manufacture and market our products. We do not have, and do not now intend to develop, facilities for the manufacture of any of our products for clinical or commercial production. Accordingly, we will need to develop relationships with manufacturers and enter into collaborative

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arrangements with licensees or have others manufacture our products on a contract basis. We expect to depend on such collaborators to supply us with products manufactured in compliance with standards imposed by the FDA and foreign regulators.

In addition, we have limited experience in marketing, sales or distribution, and we do not intend to develop a sales and marketing infrastructure to commercialize our pharmaceutical products. If we develop commercial products, we will need to rely on licensees, collaborators, joint venture partners or independent distributors to market and sell those products.

We depend on key individuals to develop our products and pursue collaborations. We are highly dependent on David Platt, Ph.D., Chief Executive Officer; Anatole Klyosov, Ph.D., Chief Scientist; and Eliezer Zomer, Ph.D., Executive Vice President, Manufacturing and Product Development, each of whom has scientific technical or other business expertise and experience that is critical to our success. The loss of any of these persons, or failure to attract or retain other key personnel, could prevent us from pursuing collaborations or developing our products and core technologies.

We are a counterclaim defendant in a lawsuit instituted by David Platt. In January 2004, David Platt, our Chief Executive Officer, filed a lawsuit in Massachusetts against GlycoGenesys, Inc. for claims including breach of contract. GlycoGenesys subsequently named us as a counterclaim defendant alleging tortious interference and misappropriation of proprietary rights, and seeks monetary damages and injunctive relief related to our intellectual property. We and Dr. Platt intend to contest these counterclaims vigorously. In October 2006, Marlborough Research and Development, Inc. (now known as Prospect Therapeutics, Inc.) purchased selected assets of GlycoGenesys including this litigation in a bankruptcy liquidation. If we do not prevail there could be a material adverse impact on our financial position, results of operations or cash flows.

Risks Related to the Drug Development Industry

We will need regulatory approvals to commercialize our products. We are required to obtain approval from the FDA in order to sell our products in the U.S. and from foreign regulatory authorities in order to sell our products in other countries. The FDA s review and approval process is lengthy, expensive and uncertain. Extensive pre-clinical and clinical data and supporting information must be submitted to the FDA for each indication for each product candidate in order to secure FDA approval. The FDA could reject an application or require us to conduct additional clinical or other studies as part of the regulatory review process. Delays in obtaining or failure to obtain FDA approvals would prevent or delay the commercialization of our products, which would prevent, defer or decrease our receipt of revenues. If we receive initial regulatory approval, our product candidates will be subject to extensive and rigorous ongoing domestic and foreign government regulation.

Our competitive position depends on protection of our intellectual property. Development and protection of our intellectual property are critical to our business. If we do not adequately protect our intellectual property, competitors may be able to practice our technologies. Our success depends in part on our ability to obtain patent protection for our products or processes in the United States and other countries, protect trade secrets, and prevent others from infringing on our proprietary rights.

Since patent applications in the United States are maintained in secrecy for at least portions of their pendency periods (published on U.S. patent issuance or, if earlier, 18 months from earliest filing date for most applications) and since other publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain that we are the first to make the inventions to be covered by our patent applications. The patent position of biopharmaceutical firms generally is highly uncertain and involves complex legal and factual questions. The U.S. Patent and Trademark Office has not established a consistent policy regarding the breadth of claims that it will allow in biotechnology patents.

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We cannot assure you that all of our patent applications will issue as patents or that the claims of any issued patents will afford meaningful protection for our technologies or products. In addition, patents issued to us or our licensors may be challenged and subsequently narrowed, invalidated or circumvented. Patent litigation is widespread in the biotechnology industry and could harm our business. Litigation might be necessary to protect our patent position or to determine the scope and validity of third-party proprietary rights, and we may not have the required resources to pursue such litigation or to protect our patent rights.

Although we require our scientific and technical employees and consultants to enter into broad assignment of inventions agreements, and all of our employees, consultants and corporate partners with access to proprietary information to enter into confidentiality agreements, these agreements may not be honored.

We are a counterclaim defendant in a lawsuit instituted by our chief executive officer. See Risks Related to our Company above.

Products we develop could be subject to infringement claims asserted by others. We cannot assure that products based on our patents or intellectual property that we license from others will not be challenged by a third party claiming infringement of its proprietary rights. If we were not able to successfully defend our patents or licensed rights, we may have to pay substantial damages, possibly including treble damages, for past infringement.

We face intense competition in the biotechnology and pharmaceutical industries. The biotechnology and pharmaceutical industries are intensely competitive. We face direct competition from U.S. and foreign companies focusing on drug delivery technologies, which are rapidly evolving. Our competitors include major, multinational pharmaceutical and chemical companies, specialized biotechnology firms and universities and other research institutions. Many of these competitors have greater financial and other resources, larger research and development staffs and more effective marketing and manufacturing organizations, than we do. In addition, academic and government institutions are increasingly likely to enter into exclusive licensing agreements with commercial enterprises, including our competitors, to market commercial products based on technology developed at such institutions. Our competitors may succeed in developing or licensing technologies and products that are more effective or less costly than ours, or succeed in obtaining FDA or other regulatory approvals for product candidates before we do.

Health care cost containment initiatives and the growth of managed care may limit our returns. Our ability to commercialize our products successfully will be affected by the ongoing efforts of governmental and third-party payers to contain the cost of health care. These entities are challenging prices of health care products and services, denying or limiting coverage and reimbursement amounts for new therapeutic products, and for FDA-approved products considered experimental or investigational, or which are used for disease indications without FDA marketing approval.

Even if we succeed in bringing any products to the market, they may not be considered cost-effective and third-party reimbursement might not be available or sufficient. If adequate third-party coverage is not available, we may not be able to maintain price levels sufficient to realize an appropriate return on our investment in research and product development. In addition, legislation and regulations affecting the pricing of pharmaceuticals may change in ways adverse to us before or after any of our proposed products are approved for marketing.

Our insurance coverage may not be adequate in all circumstances. If we commercialize our products, their use by patients could expose us to potential product liability and other claims resulting from alleged injury. This liability may result from claims made directly by consumers or by pharmaceutical companies or others selling such products. Although we currently have insurance coverage for both product liability and professional liability, we may be unable to maintain such insurance on acceptable terms. Any inability to maintain insurance coverage on acceptable terms could prevent or limit the commercialization of any products we develop.

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Risks Related to Our Stock

Stock prices for pharmaceutical and biotechnology companies are volatile. The market price for securities of pharmaceutical and biotechnology companies historically has been highly volatile, and the market from time to time has experienced significant price and volume fluctuations that are unrelated to the operating performance of such companies. Fluctuations in the trading price or liquidity of our common stock may adversely affect, among other things, the interest in our stock by purchasers on the open market and our ability to raise capital.

We are not in compliance with the continuing listing requirements of the American Stock Exchange. In June 2007, we received a notice from the American Stock Exchange that it is reviewing our eligibility for continued listing of our common stock. In particular, the exchange noted that we are not in compliance with its minimum stockholders equity requirement in two of the last three years. In response to our plan to achieve and sustain compliance with the listing requirements, the exchange granted us an extension until October 13, 2008 to regain compliance with the standards. Failure to make progress consistent with the plan or to regain compliance with the continued listing standards by such date could result in our stock being de-listed from the exchange. If we are delisted, our ability to raise capital may be diminished.

We could issue additional common stock, which might dilute the book value of our common stock. We are authorized to issue 100,000,000 shares of common stock, of which 40,364,792 shares were issued and outstanding on December 31, 2007. We issued and sold an additional 1,742,500 shares of preferred stock in a private placement that we completed on February 4, 2008 that may be converted at any time on a one-for-one basis into an aggregate of 1,742,500 shares of our common stock and an additional 7,500,000 shares of common stock in a registered direct offering that we closed on February 25, 2008. Our board of directors has authority, without action or vote of our stockholders in most cases, to issue all or a part of our authorized but unissued shares. Such stock issuances could be made at a price that reflects a discount from the then-current trading price of our common stock. In addition, in order to raise capital, we may need to issue securities that are convertible into or exchangeable for a significant amount of our common stock. These issuances would dilute your percentage ownership interest, which would have the effect of reducing your influence on matters on which our stockholders vote, and might dilute the book value of our common stock. You may incur additional dilution if holders of stock options, whether currently outstanding or subsequently granted, exercise their options, or if warrant holders exercise their warrants to purchase shares of our common stock.

As a thinly-traded stock, large sales can place downward pressure on our stock price. Our common stock, despite certain increases of trading volume from time to time, experiences periods when it could be considered thinly traded. Finance transactions resulting in a large amount of newly issued shares that become readily tradable, or other events that cause current stockholders to sell shares, could place downward pressure on the trading price of our stock. In addition, the lack of a robust resale market may require a stockholder who desires to sell a large number of shares to sell the shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We lease approximately 9,400 square feet for our executive offices located at 7 Wells Avenue, Newton, Massachusetts. We have a five year lease that commenced in August 2006 with an option to extend for an additional five years. We believe this space is suitable for our present operations and adequate for foreseeable expansion of our business.

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Item 3. ***Legal Proceedings***

In January 2004, David Platt, Ph.D., our Chairman and Chief Executive Officer, filed a lawsuit in Massachusetts Superior Court against GlycoGenesys, Inc. for various claims including breach of contract. GlycoGenesys asserted counterclaims against us and Dr. Platt alleging tortious interference, misappropriation of proprietary rights, defamation and unfair competition, and seeks monetary damages and injunctive relief related to our intellectual property. We and Dr. Platt have denied any liability for the counterclaims. Prospect Therapeutics, Inc. (formerly known as Marlborough Research and Development, Inc.) purchased certain assets including this lawsuit from the GlycoGenesys bankruptcy estate and continues prosecuting the counterclaims against us and Dr. Platt. We filed a motion for summary judgment on November 8, 2007. Limited discovery may still be taken. We believe the counterclaims are without merit and intend to contest them vigorously.

Our Board of Directors authorized indemnification of Dr. Platt for the expenses of his defense of the counterclaims. No expenses have been incurred during the twelve month period ended December 31, 2007 in connection with this defense. Through December 31, 2007, we have incurred cumulative expenses of approximately $438,000 in connection with this defense.

In January 2005, we filed a request with the U.S. Patent and Trademark Office for an inter partes re-examination of U.S. Patent No. 6,680,306 owned by GlycoGenesys, Inc. because we believe that the invention claimed in this patent is anticipated by other inventions (technically, prior art), including our U.S. Patent No. 6,645,946 for DAVANAT®. The Patent Office agreed with our argument that all claims stated in the 306 patent are anticipated by prior art. The matter is now before the Patent Office for a final decision. We believe that the actions of the Patent Office support our belief that the invention claimed in our DAVANAT® patent is prior art relative to the GlycoGenesys patent.

On January 30, 2008, Custom Equity Research, Incorporated (d/b/a Summer Street Research Partners) filed a lawsuit against us in the Superior Court of the Commonwealth of Massachusetts, alleging claims for breach of contract, declaratory judgment and unjust enrichment arising out of an engagement letter under which Summer Street agreed to provide institutional investment placement services to us. Summer Street claims it is entitled to a placement fee for each placement made during the term of the agreement and for each issuance of securities made or agreed to be made by us from October 17, 2007 through November 16, 2008. On February 20, 2008, we filed a Motion to Dismiss. We believe the lawsuit is without merit and intend to contest it vigorously.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matter was submitted to a vote of our stockholders during the fourth quarter of the fiscal year covered by this report.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Price Range of Common Stock

Our common stock trades under the symbol PRW on the American Stock Exchange. The high and low closing prices for our common stock as reported on the American Stock Exchange for the periods indicated below were as follows:

	High	Low
Fiscal Year Ended December 31, 2007		
First Quarter	$ 1.39	$ 0.25
Second Quarter	$ 0.93	$ 0.35
Third Quarter	$ 0.72	$ 0.31
Fourth Quarter	$ 0.89	$ 0.60
Fiscal Year Ended December 31, 2006		
First Quarter	$ 3.78	$ 2.85
Second Quarter	$ 3.98	$ 3.13
Third Quarter	$ 3.00	$ 0.59
Fourth Quarter	$ 0.97	$ 0.35

Holders of Common Stock

As of February 25, 2008, there were approximately 230 holders of record of our common stock. Because shares of our common stock are held by depositaries, brokers and other nominees, the number of beneficial holders of our shares is substantially larger than the number of record holders. Based on information available to us, we believe there are approximately 4,300 beneficial owners of our shares of our common stock in addition to the record holders.

Dividends

There have been no cash dividends declared on our common stock since our company was formed. Dividends are declared at the sole discretion of our Board of Directors. Our intention is not to declare cash dividends and retain all cash for our operations.

Recent Sales of Unregistered Securities

On February 4, 2008, we completed a private placement begun in October 2007 in which we sold an aggregate of 1,742,500 units of securities, each unit comprised of one share of our Series A 12% Convertible Preferred Stock (Series A Preferred), a warrant exercisable at $1.50 to purchase one share of our common stock, and a warrant exercisable at $2.00 to purchase one share of our common stock. Each unit was offered and sold for $1.00. As of December 31, 2007, we had received gross proceeds of $1,667,500, and during 2008, we received an additional $75,000, resulting in total advance gross proceeds of $1,742,500. Net proceeds after transaction costs were approximately $1.7 million. The securities were offered and sold to accredited investors pursuant to Rule 506 promulgated under Section 4(2) of the Securities Act of 1933.

Each share of the Series A Preferred has voting rights and is convertible at any time at the election of the holder into one share of our common stock subject to adjustment for stock splits, recapitalizations and the like. We may require conversion if the closing price of our common stock exceeds $3.00 for 15 consecutive trading days. Each share of the Series A Preferred accrues interest at 12% per annum payable at our option in cash

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or shares of common stock valued per share at the higher of $1.00 or 100% of the value weighted average price of our shares of common stock for the 20 consecutive trading days prior to the applicable dividend payment date.

The warrants are exercisable for cash consideration for four years beginning the 181st day after the date of issue. The exercise price is subject to adjustment for stock splits, recapitalizations and the like and in the event of certain business combinations.

Item 6. ***Selected Consolidated Financial Data (in thousands except share and per share data)***

The following table sets forth financial data for the years ended December 31, 2007, 2006, 2005, 2004, 2003 and for the cumulative period since inception (July 10, 2000) through December 31, 2007. This selected financial data should be read in conjunction with the consolidated financial statements and related notes included in Item 15 of this Annual Report on Form 10-K.

	Fiscal Year Ended December 31,					Cumulative Period from Inception (July 10, 2000) to December 31, 2007
	2007	2006	2005	2004	2003	
	(dollars in thousands)					
Consolidated Statements of Operations Data:						
Operating expenses:						
Research and development	$ 2,053	$ 3,019	$ 3,040	$ 3,042	$ 1,950	$ 15,581
General and administrative	4,402	4,029	3,615	4,262	2,988	22,455
Operating loss	(6,455)	(7,048)	(6,655)	(7,304)	(4,938)	(38,036)
Interest and other income	102	281	111	124	69	737
Interest and other expenses	(3,080)	3,574	(311)	3,410	793	2,139
Total other income and (expense)	(2,978)	3,855	(200)	3,534	862	2,876
Net loss	$ (9,433)	$ (3,193)	$ (6,855)	$ (3,770)	$ (4,076)	$ (35,160)
Net loss per share: basic and diluted (1)	$ (0.24)	$ (0.11)	$ (0.25)	$ (0.15)	$ (0.19)	
Weighted average shares outstanding: basic and diluted	38,980,548	28,472,898	27,315,411	25,750,789	21,360,572	

	As of December 31,				
	2007	2006	2005	2004	2003
	(dollars in thousands)				
Consolidated Balance Sheet Data:					
Working capital (2)	$ 426	$ (53)	$ 3,314	$ 9,819	$ 7,318
Total assets	1,782	6,363	4,963	11,110	8,002
Advances received from subscribers for shares of Series A 12% Convertible Preferred Stock and related warrants	1,637				
Convertible debt instrument		5,137			
Warrant liabilities	2,069	371	5,936	5,625	1,925
Stockholders (deficit) equity	(2,924)	(22)	(2,353)	4,480	5,699

(1) Basic and net loss per share is the same for each reporting period as the anti-dilutive shares were not included in the per-share calculations.
(2) Excludes amount stated in Advances received from subscribers for Series A 12% Convertible Preferred Stock and related warrants .

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

RECENT EVENTS

On February 25, 2008, in a registered direct offering we issued and sold an aggregate of 7,500,000 shares of our common stock at $0.50 per share for gross proceeds of $3.75 million. Net proceeds were approximately $3.4 million after transaction expenses of approximately $0.3 million. We also sold in the offering an aggregate of 10,500,000 warrants, 7,500,000 of which are exercisable for five years to purchase our common stock at $0.70 per share and 3,000,000 of which are exercisable for four months to purchase shares of our common stock at $0.67 per share. The warrants are not exercisable until August 26, 2008.

We received proceeds of $75,000 subsequent to December 31, 2007, in a private placement begun in October 2007 of our Series A 12% Convertible Preferred Stock and related warrants. Total gross proceeds of this offering were approximately $1.74 million. For additional detail, see Item 5 Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities under *Recent Sales of Unregistered Securities* .

Overview

We are a development-stage company engaged in the discovery, development, and commercialization of first-in-class, therapeutic compounds for advanced treatment of cancer, liver, microbial and inflammatory diseases. Our initial focus is the development of a new generation of anti-cancer treatments using carbohydrate polymers to target deliver chemotherapeutics to reduce toxicity and increase efficacy. DAVANAT®, the Company s lead pipeline candidate, is currently in Phase II trials for first-line treatment of colorectal and biliary cancer.

Our technology also is being used to rescue drugs that were shelved for toxicity or half-life issues, increase the solubility of existing drugs and as new chemical entities to treat diseases such as liver and kidney fibrosis. We have entered into a research collaboration with the Mount Sinai School of Medicine to study the anti-fibrotic effects of our novel carbohydrate compounds on liver fibrosis, and with Brigham and Women s Hospital to evaluate the anti-fibrotic effects of these compounds to treat acute and chronic kidney disease. Our first-in-class, novel carbohydrate compounds significantly reduced collagen expression and reversed fibrosis in animal models. Whereas previously, *in vitro* data indicated a reversal of fibrosis markers, in this proof-of-concept animal study, the compounds clearly reduced collagen expression and reversed liver fibrosis.

Upon approval by the appropriate regulatory authorities, we may commence commercial marketing and distribution of the product. This process typically takes several years to complete and requires the expenditure of substantial resources. Any delay in obtaining or failure to obtain required approvals will materially adversely affect our ability to generate revenues from commercial sales relating to our drug candidates. We may file an NDA for a drug candidate in 2008. We anticipate our source of funding for the next several years to come from either financing transactions or collaborations with other pharmaceutical companies.

We are devoting substantially all of our efforts toward product research and development, and raising capital. We have no source of revenue and have incurred significant losses to date. We have incurred net losses of approximately $35.2 million for the cumulative period from inception (July 10, 2000) through December 31, 2007. Our losses have resulted principally from costs associated with research and development expenses, including clinical trial costs, and general and administrative activities. As a result of planned expenditures for future research, discovery, development and commercialization activities, we expect to incur additional operating losses for the foreseeable future.

From our inception (July 10, 2000) through December 31, 2007, we have raised approximately $37.6 million principally through the private placements of convertible notes, preferred stock subscriptions, common stock and warrants, and in registered direct offerings of common stock and warrants. From inception through

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December 31, 2007, we have expended cash of approximately $33.7 million for our operations. At December 31, 2007, we had approximately $1.3 million of cash and cash equivalents. When combined with approximately $3.4 million of net proceeds from an equity finance transaction completed subsequent to our year-end, we believe there is sufficient cash to fund our operations into October 2008.

Because we lack revenue and must continue our research and development, we must continually identify new sources of capital and complete financing transactions in order to continue our business. We must continually monitor the monthly burn rate of our capital resources.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 2 to our Consolidated Financial Statements included in this Annual Report. Certain of our accounting policies, however, are critical to the portrayal of our financial position and results of operations and require the application of significant judgment by our management, which subjects them to an inherent degree of uncertainty. In applying our accounting policies, our management uses its best judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information available from other outside sources, and on various other factors that we believe to be appropriate under the circumstances. We believe that the critical accounting policies discussed below involve more complex management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related asset, liability, revenue and expense amounts.

Accrued Expenses. As part of the process of preparing our consolidated financial statements, we are required to estimate accrued expenses. This process involves identifying services that third parties have performed on our behalf and estimating the level of service performed and the associated cost incurred on these services as of each balance sheet date in our financial statements. Examples of estimated accrued expenses include contract service fees in conjunction with pre-clinical and clinical trials, professional service fees, such as those arising from the services of attorneys and accountants and accrued payroll expenses. In connection with these service fees, our estimates are most affected by our understanding of the status and timing of services provided relative to the actual services incurred by the service providers. In the event that we do not identify certain costs that have been incurred or we under- or over-estimate the level of services or costs of such services, our reported expenses for a reporting period could be understated or overstated. The date on which certain services commence, the level of services performed on or before a given date, and the cost of services are often subject to our judgment. We make these judgments based upon the facts and circumstances known to us in accordance with accounting principles generally accepted in the United States.

Convertible Debt Instrument. Our convertible debt instrument issued in February 2006 (the Debentures) constitutes a hybrid instrument that has the characteristics of a debt host contract containing several embedded derivative features that would require bifurcation and separate accounting as a derivative instrument pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). As permitted by SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 , we irrevocably elected to initially and subsequently measure the Debentures in their entirety at fair value with changes in fair value recorded as either a gain or loss in the consolidated statement of operations under the caption Change in fair value of convertible debt instrument. Fair value of the Debentures is determined using a binomial financial valuation model that requires assumptions that are subject to significant management judgment such as volatility of our common share price, interest rates and our intention to redeem the Debentures in cash or common shares. Volatility and interest rate expectations are based on the remaining time to maturity of the Debentures.

Warrants. We have issued common stock warrants in connection with the execution of certain equity and debt financings and consulting agreements. Certain warrants are accounted for as derivative liabilities at fair value in accordance with SFAS 133. Such warrants do not meet the criteria in paragraph 11(a) of SFAS 133 that a contract should not be considered a derivative instrument if it is (1) indexed to its own stock and (2) classified

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in stockholders equity. Changes in fair value of derivative liabilities are recorded in the consolidated statement of operations under the caption Change in fair value of warrant liabilities. Warrants that are not considered derivative liabilities as defined in SFAS 133 are accounted for at fair value at the date of issuance in additional paid-in capital. The fair value of warrants is determined using the Black-Scholes option-pricing model using assumptions regarding volatility of our common share price, remaining life of the warrant, and risk-free interest rates at each period end.

Income Taxes. We determine if our deferred tax assets and liabilities are realizable on an ongoing basis by assessing our valuation allowance and by adjusting the amount of such allowance, as necessary. At this time our primary deferred tax asset relates to our net operating loss carryforwards. In the determination of the valuation allowance, we have considered future taxable income and the feasibility of tax planning initiatives. Should we determine that it is more likely than not that we will realize certain of our deferred tax assets for which we previously provided a valuation allowance, an adjustment would be required to reduce the existing valuation allowance. In addition, we operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits may require an extended period of time for resolution. Although we believe that adequate consideration has been made for such issues, there is the possibility that the ultimate resolution of such issues could have an adverse effect on the results of our operations.

Stock-Based Compensation. Through December 31, 2005, we accounted for stock-based compensation to employees and non-employee directors under the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, (APB No. 25) and the related interpretations. Under APB No. 25, no compensation expense is recognized for stock options granted to employees at fair market value and with fixed terms. On January 1, 2006, we adopted SFAS 123(R), Share Based Payment, (SFAS 123(R)) using the modified prospective method, which results in the provisions of SFAS 123(R) being applied to the consolidated financial statements on a going-forward basis. Prior periods have not been restated. SFAS 123(R) requires companies to recognize stock-based compensation awards granted to its employees as compensation expense on a fair value method. Under the fair value recognition provisions of SFAS 123(R), stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the service period, which generally represents the vesting period. The grant date fair value of stock options is calculated using the Black-Scholes option-pricing model. The expense recognized over the service period is required to include an estimate of the awards that will be forfeited. Previously, we recorded the impact of forfeitures as they occurred. We do not anticipate any awards will be forfeited in our calculation of compensation expense due to the limited number of employees that receive stock option grants and our historical employee turnover.

We consider equity compensation to be an important component in attracting and retaining key employees. During 2007, 2006 and 2005, we awarded approximately 1,048,500, 399,000 and 272,000 stock options, respectively, to employees, consultants and non-employee members of our Board of Directors for normal services and we recorded approximately $616,000 of related stock option expense in 2007. Because the exercise price of the options granted equal the fair market value of a share of our common stock on the date of grant and the options have fixed terms, we recorded no stock compensation expense on these awards in 2005. If we had used the fair value method provided for under SFAS No. 123, Accounting for Stock-Based Compensation, our net loss in 2005 of approximately $6.86 million would have increased by approximately $287,000.

Results of Operations

Fiscal Year Ended December 31, 2007 Compared to Fiscal Year Ended December 31, 2006

Research and Development Expenses. Research and development expenses were approximately $2.05 million during the year ended December 31, 2007 as compared to approximately $3.02 million incurred during the year ended December 31, 2006. We generally categorize research and development expenses as either direct external expense, comprised of amounts paid to third party vendors for services, or all other expenses, comprised of employee payroll and general overhead allocable to research and development. We subdivide external

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expenses between clinical programs and preclinical activities. We consider a clinical program to have begun upon acceptance by the FDA, or similar agency outside of the United States, to commence a clinical trial in humans, at which time we begin tracking expenditures by the product candidate. We have one product candidate DAVANAT® in clinical trials at this time. Clinical program expenses comprise payments to vendors related to preparation for, and conduct of, all phases of the clinical trial, including costs for drug manufacture, patient dosing and monitoring, data collection and management, oversight of the trials and reports of results. Pre-clinical expenses comprise all research and development amounts incurred before human trials begin, including payments to vendors for services related to product experiments and discovery, toxicology, pharmacology, metabolism and efficacy studies, as well as manufacturing process development for a drug candidate.

Our research and development expenses for the twelve months ended December 31, 2007 as compared to the twelve months ended December 31, 2006 were as follows:

	Year Ended December 31, ($000)	
	2007	2006
Direct external expenses		
Clinical programs	$ 809	$ 1,504
Pre-clinical activities	357	589
All other research and development expenses	887	926
	$ 2,053	$ 3,019

Clinical trial expenses decreased by approximately $695,000. The decrease was due to a reduction of approximately $426,000 in expenses related to the Phase II DAVANAT® Colorectal Cancer trial and the Phase I DAVANAT® Colorectal Cancer trial that, for the most part, were completed in 2006. In addition, a reduction of approximately $362,000 in 2007 as compared to 2006 is due to lower expenses related to our Phase III European colorectal cancer trial. We initiated the trial in 2006 but did not begin dosing patients due to financial constraints. These reductions were offset by an increase of approximately $93,000 associated with our two current Phase II trials for first-line treatment of colorectal and biliary cancer trial with DAVANAT®. Pre-clinical expenses in 2007 decreased by approximately $232,000 compared to 2006 due to lower research activity. Other research and development costs decreased by approximately $39,000. This is the result of lower payroll expense of approximately $154,000 due principally to salary reductions to conserve cash, offset by higher non-cash stock compensation expense and higher space lease expense.

We expect our research and development expenses in 2008 will remain at approximately the same level as 2007 and will shift from the two current Phase II clinical trials to an NDA for DAVANAT® and development of our new fibrosis compounds.

Both the time required and costs we may incur in order to commercialize a drug candidate that would result in material net cash inflow are subject to numerous variables, and hence we are unable at this stage of our development to forecast useful estimates. Variables that make estimates difficult include the number of clinical trials we may undertake, the number of patients needed to participate in the clinical trial, patient recruitment uncertainties, trial results as to the safety and efficacy of our product, and uncertainties as to the regulatory agency response to our trial data prior to receipt of marketing approval. Moreover, the FDA or other regulatory agencies may suspend clinical trials if we or an agency believes patients in the trial are subject to unacceptable risks, or find deficiencies in the conduct of the clinical trial. Delays or rejections may also occur if governmental regulation or policy changes during our clinical trials or in the course of review of our clinical data. Please see Risks Related to Pro-Pharmaceuticals and Risks Related to the Drug Development Industry for additional risks and other factors that make estimates difficult at this time. Due to these uncertainties, accurate and meaningful estimates of the ultimate cost to bring a product to market, the timing of costs and completion of our program and the period during which material net cash inflows will commence are unavailable at this time.

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General and Administrative Expenses. General and administrative expenses were approximately $4.4 million in 2007, an increase of approximately $373,000 compared to approximately $4.03 million in 2006. General and administrative expenses consist primarily of salaries, including stock based compensation, legal and accounting fees, insurance, investor relations, business development and other office related costs. Of the approximately $373,000 increase in expense in 2007, approximately $405,000 consisted of an increase in legal expenses. Of this amount, approximately $250,000 was due to expenses related to the counterclaims asserted against us by Prospect Therapeutics, Inc. described in Item 3. Legal Proceedings. An increase of approximately $250,000 in additional legal expense was due to our equity finance efforts. The increase in legal expense was offset by reductions in general legal and patent legal expense of approximately $95,000. Additionally, non-cash stock based compensation increased by approximately $135,000, which was offset by a reduction in payroll expense of approximately $191,000 as certain employees voluntarily reduced salaries to conserve cash. All other spending increased by approximately $24,000, due principally to higher space lease expense.

We expect general and administrative expenses to decrease in 2008 as compared to 2007 due to lower legal and accounting expenses.

Other Income and Expense. Other income and expense was expense of approximately $2.98 million in 2007 as compared to income of approximately $3.86 million in 2006. Of the $6.84 million increase, approximately $9.52 million is related to fair value accounting for warrant liabilities. This was offset by approximately a $1.36 million decrease in expense related to our convertible debt instrument s fair value accounting. Interest expense was approximately $350,000 in 2007, as compared to approximately $1.85 million in 2006. Interest expense decreased by approximately $1.5 million due to lower convertible debenture amounts outstanding. Approximately $350,000 of interest expense includes approximately $257,000 of debt discount amortization and approximately $93,000 of interest expense. Interest income was approximately $102,000 in 2007 or a decrease of approximately $179,000 as compared to approximately $281,000 in 2006. Interest income consists primarily of interest income on interest-bearing cash equivalents and the certificate of deposit. The decrease in interest income is due primarily to lower average cash balances.

Fiscal Year Ended December 31, 2006 Compared to Fiscal Year Ended December 31, 2005

Research and Development Expenses. Research and development expenses were approximately $3.02 million during the year ended December 31, 2006 as compared to approximately $3.04 million incurred during the year ended December 31, 2005.

Our research and development expenses for the twelve months ended December 31,2006 as compared to the twelve months ended December 31, 2005 were as follows:

	Year Ended December 31, ($000)	
	2006	**2005**
Direct external expenses		
Clinical programs	$ 1,504	$ 1,557
Pre-clinical activities	589	959
All other research and development expenses	926	524
	$ 3,019	$ 3,040

Clinical trial expense decreased by approximately $53,000 as the Phase I late stage cancer patient trial was completed and the Phase II late stage colorectal cancer patient trial completed dosing resulting in reduced spending that was offset by the initiation of the line I biliary duct cancer, the line I colorectal cancer and line II colorectal cancer trials. Pre-clinical spending decreased due principally to reduced DAVANAT® manufacturing costs. All other research and development costs increased due to the addition of our Chief Scientist, additional

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personnel to support our clinical trials and expensing stock based compensation largely related to the fair value method as required by SFAS 123(R). In summary, research and development expense in 2006 shifted from pre-clinical activities to clinical programs. The increase in clinical trial expense was due to the start-up and costs associated with the Phase II trial. We completed dosing patients in a Phase I clinical trial of DAVANAT® in March 2005 and began dosing patients in a Phase II clinical trial of DAVANAT® in May 2005, while the pre-clinical tests and experiments associated with DAVANAT® diminished in 2006 as compared to 2005.

Both the time required and costs we may incur in order to commercialize a drug candidate that would result in material net cash inflow are subject to numerous variables, and hence we are unable at this stage of our development to forecast useful estimates. Variables that make estimates difficult include the number of clinical trials we may undertake, the number of patients needed to participate in the clinical trial, patient recruitment uncertainties, trial results as to the safety and efficacy of our product, and uncertainties as to the regulatory agency response to our trial data prior to receipt of marketing approval. Moreover, the FDA or other regulatory agencies may suspend clinical trials if we or an agency believes patients in the trial are subject to unacceptable risks, or find deficiencies in the conduct of the clinical trial. Delays or rejections may also occur if governmental regulation or policy changes during our clinical trials or in the course of review of our clinical data. Please see Risks Related to Pro-Pharmaceuticals and Risks Related to the Drug Development Industry for additional risks and other factors that make estimates difficult at this time. Due to these uncertainties, accurate and meaningful estimates of the ultimate cost to bring a product to market, the timing of costs and completion of our program and the period during which material net cash inflows will commence are unavailable at this time.

General and Administrative Expenses. General and administrative expenses were approximately $4.3 million in 2006 or an increase of 12%, as compared to approximately $3.62 million in 2005. General and administrative expenses consist primarily of salaries, including stock based compensation, legal and accounting fees, insurance, investor relations, business development and other office related costs. Of the approximately $414,000 increase in expense in 2006, approximately $385,000 consisted of an increase in accounting and other costs associated primarily with the convertible debentures. Approximately $273,000 of the increase was due to expensing stock based compensation related to the fair value method as required by SFAS 123(R). These increases were offset by a reduction in legal expense of approximately $261,000. Legal expenses decreased due to lower expenses associated with the intellectual property litigation with GlycoGenesys. Payroll expense decreased due to lower incentive compensation payments

Other Income and Expense. Other income and expense was income of approximately $3.86 in 2006 as compared to expense of approximately $200,000 in 2005. Of the $4.06 million increase, $8.13 million is related to fair value accounting for warrant liabilities. This was offset by $4.24 million of charges related to our convertible debt instrument of which approximately $2.39 million is related to fair value accounting and approximately $1.85 million is interest expense approximately $1.85 million of interest includes approximately $1.36 million of debt discount amortization and Approximately $492,000 of interest expense. Additionally, interest income in 2006 was approximately $281,000 or an increase of approximately $170,000 as compared to approximately $111,000 in 2005. Interest income consists primarily of interest income on interest-bearing cash equivalents and the certificate of deposit. The increase in interest income is due primarily to higher average interest rates and to a lesser degree due to higher average cash balances. Average interest rates were approximately 3.2% per annum in 2006 versus approximately 1.4% per annum in 2005.

Liquidity and Capital Resources

As described in the section entitled Overview above and elsewhere in this Annual Report on Form 10-K, we are in the development stage and have not generated any revenues to date. Since our inception on July 10, 2000, we have financed our operations primarily through private placements of convertible debt, preferred stock subscriptions, common stock and warrants, and registered direct offerings of common stock and warrants. From inception through our 2007 fiscal year, we raised approximately $37.6 million from these offerings and at December 31, 2007 had approximately $1.32 million of cash available. Between October and December 2007,

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we received net proceeds of approximately $1.6 million in subscriptions for a private placement of Series A 12% Convertible Preferred Stock and common stock warrants. We may pay the dividend on the preferred stock in shares of our common stock subject to certain provisions. The terms of this transaction are more fully described in Item 5 Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Recent Sales of Unregistered Securities.

Net cash used in operations decreased by approximately $1.27 million to approximately $5.48 million in 2007 as compared to approximately $6.76 million in 2006. Approximately $684,000 of the decrease was due to lower cash operating costs. Approximately $590,000 was due to lower working capital requirements. These decreases were offset by lower net cash interest income of approximately $118,000. The increased use of cash in operations in 2006 as compared to 2005 was primarily due to increased working capital needs. We expect our cash needs in 2008 to remain at approximately the same level as 2007.

Net cash provided by investing activities was approximately $4.94 million in 2007 as compared to cash used of approximately $5.24 million in 2006. The increase of approximately $10.18 million was principally due to a $5.0 million certificate of deposit which was initiated in 2006 and matured in 2007. The remaining $180,000 is principally due to lower expenditures on property and equipment, patent costs and restricted cash requirements.

Net cash provided by financing activities was approximately $1.08 million in 2007 and $8.3 million in 2006. The 2007 cash provided consisted of $1.64 million of advances related to our preferred stock and common warrant private placement subscriptions, see Item 5 Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities under *Recent Sales of Unregistered Securities* offset by cash payments of approximately $555,000 in accordance with the terms of the convertible debenture. Net cash provided by financing activities in 2006 resulted from the sale of the 7% Convertible Debentures and common stock warrants. In 2006, we elected to make two principal payments, amounting to approximately $1.0 million in cash.

On February 25, 2008, we raised approximately $3.4 million of net proceeds in a registered direct offering. See Recent Events above in this Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

We believe that our cash on hand of approximately $1.3 million at December 31, 2007 when combined with the $3.4 million raised through our February 25, 2008 registered direct offering will be sufficient to enable us to meet our financing and operating obligations into October 2008. We will require more cash to fund our operations and believe that we will be able to obtain additional financing. However, there can be no assurance that we will be successful in obtaining such new financing or, if available, that such financing will be obtainable on terms favorable to us.

Payments Due Under Contractual Obligations

The following table summarizes the payments due under our contractual obligations at December 31, 2007, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

		Payments due by period ($000)			
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Operating leases	999	289	710		
Total payments due under contractual obligations	$ 999	$ 289	$ 710	$	$

On May 1, 2006 we entered into a 5 year lease for office space. The lease commenced on August 11, 2006 and terminates on September 30, 2011. The lease provides for annual base rental payments of approximately $235,000 in the first year increasing in each subsequent lease year to approximately $244,000, $253,000,

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$263,000 and $273,000 respectively. In addition to base rental payments included in the contractual obligations table above, we are responsible for our pro-rata share of increases in the operating expenses for the building after calendar year 2006 and taxes for the building after fiscal year 2007. We have the option to extend the term of the lease for an additional five year period at the prevailing market rate at the time of exercise. In connection with this office space lease, a commercial bank has issued a letter of credit collateralized by cash we have on deposit with the bank of approximately $59,000. Additionally, we have a non-cancellable lease for a car which expires in January 2011 and an executive housing lease which expires in October 2008.

We have engaged outside vendors for certain services associated with our clinical trials. These services are generally available from several providers and, accordingly, our arrangements are typically cancellable on 30 days notice.

Off-Balance Sheet Arrangements

We have not created, and are not a party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

Impact of New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. In February 2008, the FASB decided that an entity need not apply this standard to non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis until the subsequent year. We will be required to adopt SFAS No. 157 in the first quarter of fiscal year 2008. Management is currently evaluating the requirements of SFAS No. 157 and has not yet determined the impact, if any, on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. We will be required to adopt SFAS No. 159 in the first quarter of fiscal year 2008. Management is currently evaluating the requirements of SFAS No. 159 and has not yet determined the impact, if any, of its adoption on our consolidated financial statements.

In June 2007, the FASB issued Emerging Issues Task Force (EITF 07-3), Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities (EITF 07-3). EITF 07-3 provides that non-refundable advance payments for goods or services that will be used or renders for future research and development activities should be deferred and capitalized. We have historically expensed such payments and will begin capitalizing such payments in the first quarter of 2008. As of December 31, 2007, there are no such payments currently recorded as expense.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements required by this item are attached to this Annual Report on Form 10-K beginning on Page F-1.

Item 9. ***Changes In and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

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Item 9A(T). ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2007. Our management has concluded, based on their evaluation, that as of the end of the period covered by this report, our disclosure controls and procedures were effective as of December 31, 2007 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management s report in this Annual Report.

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fourth quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

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PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this Item will be contained in our definitive Proxy Statement to be filed with the SEC in connection with our 2008 Annual Meeting of Stockholders to be held on May 21, 2008 (the 2008 Proxy Statement) under the captions Election of Directors, Board of Directors Meetings and Committees of the Board, Executive Officers and Section 16(a) Beneficial Ownership Reporting Compliance and is incorporated herein by reference.

We have adopted a Code of Ethics that applies to all our directors, officers and employees. The Code of Ethics is publicly available on our website at ***www.pro-pharmaceuticals.com***. Amendments to the Code of Ethics and any grant of a waiver from a provision of the Code of Ethics requiring disclosure under applicable SEC and American Stock Exchange rules will be disclosed on our website.

Item 11. ***Executive Compensation***

The information required by this Item will be incorporated by reference from the information under the caption Compensation of Named Executive Officers contained in our 2008 Proxy Statement.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item will be incorporated by reference from the information under the caption Security Ownership of Certain Beneficial Owners and Management contained in our 2008 Proxy Statement.

Item 13. ***Certain Relationships, Related Transactions and Director Independence***

The information required by this item will be incorporated by reference from the information under the caption Certain Relationships and Related Transactions contained in our 2008 Proxy Statement.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item will be incorporated by reference from the information under the captions Audit Fees , Audit-Related Fees, Tax Fees, All Other Fees and Pre-Approval Policies and Procedures contained in our 2008 Proxy Statement.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. Consolidated Financial Statements

The Consolidated Financial Statements are filed as part of this report.

2. Consolidated Financial Statement Schedules

All schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits

Exhibit Number	Description of Document	Note Reference
3.1	Articles of Incorporation of the Registrant, dated January 23, 2001, as filed with the Secretary of State of the State of Nevada	1
3.2	Certificate of Amendment to Articles of Incorporation of the Registrant, as filed with the Secretary of State of the State of Nevada Secretary of State on May 28, 2004	2
3.3	Certificate of Designation of Preferences, Rights and Limitations of Series A 12% Convertible Preferred Stock of the Registrant, as filed with the Secretary of State of the State of Nevada on October 5, 2007	3
3.4	Amended and Restated Bylaws of the Registrant	4
10.1	Pro-Pharmaceuticals, Inc. 2001 Stock Incentive Plan.	5
10.2	Pro-Pharmaceuticals, Inc. 2003 Non-employee Director Stock Incentive Plan.	6
10.3	Employment Agreement, effective January 2, 2004, by and between the Registrant and David Platt.	7
10.4	Form of Incentive Stock Option Agreement (under the 2001 Stock Incentive Plan).	8
10.5	Form of Non-Qualified Stock Option Agreement (under the 2001 Stock Incentive Plan).	8
10.6	Form of Non-Qualified Stock Option Agreement (under the 2003 Non-Employee Director Stock Incentive Plan).	8
10.7	Form of 7% Convertible Debenture issued on February 14, 2006	9
10.8	Securities Purchase Agreement dated February 14, 2006, between Pro-Pharmaceuticals, Inc. and the Purchasers named therein	9
10.9	Registration Rights Agreement dated February 14, 2006, between Pro-Pharmaceuticals, Inc. and the Purchasers named therein.	9
10.10	Form of Common Stock Purchase Warrant issued on February 14, 2006.	9
10.11	Office Lease Agreement dated May 2, 2006 between NS 5/27 Acquisition LLC, landlord, and the Registrant, tenant.	10

10.12	Waiver and Exchange Agreement dated March 21, 2007.	11
10.13	Employment Agreement effective October 1, 2007 between Theodore D. Zucconi, President, and the Registrant.	12
10.14	Employment Agreement dated May 1, 2003 between Anthony D. Squeglia, and Registrant filed upon succession as Chief Financial Officer effective October 1, 2007.	13

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Exhibit Number	Description of Document	Note Reference
10.15	Form of Securities Purchase Agreement for units of Series A 12% Convertible Preferred Stock and Common Stock Purchase Warrants.	3
10.16	Form of Registration Rights Agreement	3
10.17	Form of Common Stock Purchase Warrant	3
10.18	Form of Common Stock Purchase Warrant	3
10.19	Amended and Restated Employment Agreement dated December 20, 2007 between Anthony D. Squeglia and the Registrant.	14
10.20	Amended and Restated Employment Agreement dated December 19, 2007 between Theodore D. Zucconi and the Registrant	15
10.21	Securities Purchase Agreement dated February 14, 2008 between the Registrant and Alpha Capital, Rockmore Investment Master Fund, Ltd., Iroquois Master Fund, Ltd., Cranshire Capital, L.P., Hudson Bay Fund, L.P., Hudson Bay Overseas Fund, Ltd., Truk International Fund, L.P., Truk Opportunity Fund, LLC, ICM Business Trust, Ionic Capital Master Fund, Ltd., Highbridge Capital Management, LLC, Portside Growth & Opportunity Fund, Millenium Partners, L.P., Peter Hauser, Peter L. Hauser IRA, Enable Growth Partners L.P., George Macricostas, CAMOFI Master LDC, Cougar Trading, LLC, Brio Capital L.P., Fairfield Investments	16
10.22	Form of Common Stock Purchase Warrant issued on February 25, 2008	16
10.23	Placement Agent Agreement dated February 12, 2008 between Maxim Group LLC and the Registrant	16
21.1*	Subsidiaries of the Registrant	
23.1*	Consent of Deloitte & Touche LLP, an independent registered public accounting firm	
31.1*	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	
31.2*	Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934	
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	