TITAN PHARMACEUTICALS INC
Form 424B3
October 31, 2005

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-129086

**PROSPECTUS**

**TITAN PHARMACEUTICALS, INC.**

21,819,923 Shares of Common Stock

This prospectus relates to the offer and sale of up to 21,819,923 shares of common stock of Titan Pharmaceuticals, Inc. ( we, us, our or Titan ) by certain persons who are stockholders of Titan, including Cornell Capital Partners, LP ( Cornell Capital Partners ).

We are not selling any shares of common stock in this offering and therefore we will not receive any of the proceeds from this offering. We will, however, receive proceeds from the sale of common stock under the Standby Equity Distribution Agreement that we entered into as of September 28, 2005 with Cornell Capital Partners. All costs associated with this registration will be borne by us.

The shares of common stock are being offered for sale by the selling stockholders at prices established on the American Stock Exchange during the term of this offering. On October 12, 2005, the last reported sale price of our common stock was $1.70 per share. Our common stock is presently listed on the American Stock Exchange under the symbol TTP.

Cornell Capital Partners is an underwriter within the meaning of the Securities Act of 1933 in connection with the sale of common stock it acquires pursuant to the Standby Equity Distribution Agreement. No other underwriter or person has been engaged to facilitate the sale of shares of common stock in this offering. This offering will terminate twenty-four months after the accompanying registration statement is declared effective by the Securities and Exchange Commission.

Cornell Capital Partners will pay us the lowest daily volume weighted average price of our common stock as quoted by Bloomberg, LP during the five consecutive trading day period immediately following the date we notify Cornell Capital Partners that we desire to make a draw-down under the Standby Equity Distribution Agreement. In addition, Cornell Capital Partners will retain 5% of each draw-down under the Standby Equity Distribution Agreement and we are required to pay Yorkville Advisors Management, LLC, the investment manager for Cornell Capital Partners, $500 for each draw-down. We paid Cornell Capital Partners a one-time commitment fee equal to $140,000 in the form of 75,407 shares of common stock and paid Yorkville Advisors Management a structuring fee of $10,000, all of which are underwriting discounts payable or paid to Cornell Capital Partners.

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under the applicable state securities laws or that an exemption from registration is available.

**These securities are speculative and involve a high degree of risk. You should purchase securities only if you can afford a complete loss of your investment. See Risk Factors beginning on page 4.**

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

**The date of this prospectus is October 28, 2005**

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**PROSPECTUS SUMMARY**

This summary highlights selected information appearing elsewhere in this prospectus. While this summary highlights what we consider to be the most important information about us, you should carefully read this prospectus and the registration statement of which this prospectus is a part in their entirety before investing in our common stock, especially the risks of investing in our common stock, which we discuss later in Risk Factors, and our financial statements and related notes beginning on page F-1. Unless the context requires otherwise, the words we, us and our refer to Titan Pharmaceuticals, Inc.

**About Titan Pharmaceuticals, Inc.**

We are a biopharmaceutical company developing proprietary therapeutics for the treatment of central nervous system (CNS) disorders, cardiovascular disease, bone disease and other disorders. Our product development programs focus primarily on large pharmaceutical markets with significant unmet medical needs and commercial potential. We are focused primarily on clinical development of the following products:

Probuphine: for the treatment of opioid dependence and chronic pain

Iloperidone: for the treatment of schizophrenia and related psychotic disorders (partnered with Vanda Pharmaceuticals, Inc.)

Spheramine: for the treatment of advanced Parkinson s disease (partnered with Schering AG)

DITPA: for the treatment of congestive heart failure and hyperlipidemia

Gallium maltolate: for the treatment of cancer, bone related diseases and chronic bacterial infections

We were incorporated in Delaware in February 1992 and have funded our operations through various sources, including an initial public offering in January 1996 and private placements of securities, as well as proceeds from warrant and option exercises, corporate licensing and collaborative agreements, and government-sponsored research grants.

**Summary of the Offering**

This offering relates to the sale of common stock by selling stockholders consisting of (i) Cornell Capital Partners, which intends to sell up to 21,819,923 shares of common stock, 21,739,130 of which shares may be purchased by Cornell Capital Partners from Titan under the Standby Equity Distribution Agreement and 75,407 of which shares were issued to Cornell Capital Partners upon the signing of the Standby Equity Distribution Agreement as a commitment fee, and (ii) Monitor Capital, Inc., which intends to sell up to 5,386 shares of common stock that were issued to it as a placement agent fee.

Pursuant to the Standby Equity Distribution Agreement, we may, at our discretion, periodically issue and sell to Cornell Capital Partners shares of common stock for a total purchase price of up to $35 million. The amount of each draw-down is subject to a maximum draw-down amount of $2 million, and we may not submit any request for a draw-down within five trading days of a prior request. Cornell Capital Partners will pay us the lowest daily volume weighted average price of our common stock during the five consecutive trading day period immediately following the date we notify Cornell Capital Partners that we desire to access the Standby Equity Distribution Agreement. Cornell Capital Partners shall retain 5% of each draw-down it makes to us and we are required to pay Yorkville Advisors Management, LLC, the investment manager for Cornell Capital Partners, $500 for each draw-down. We paid Cornell Capital Partners a one-time commitment fee equal to $140,000 in the form of 75,407 shares of common stock and paid Yorkville Advisors Management a structuring fee of $10,000, all of which are underwriting discounts payable or paid to Cornell Capital Partners. We understand that Cornell Capital Partners intends to sell any shares purchased under the Standby Equity Distribution Agreement at the then prevailing market price. Among other things, this prospectus relates to the shares of common stock to be issued under the Standby Equity Distribution

Agreement. There are substantial risks to investors as a result of the issuance of shares of common stock under the Standby Equity Distribution Agreement. These risks include dilution of stockholders, significant decline in our stock price and our inability to draw sufficient funds when needed.

There is an inverse relationship between our stock price and the number of shares to be issued under the Standby Equity Distribution Agreement in exchange for a cash payment of a particular size. That is, as our stock price declines, we would be required to issue a greater number of shares under the Standby Equity Distribution Agreement for a given draw-down. This inverse relationship is demonstrated by the following table, which shows the number of shares to be issued under the Standby Equity Distribution Agreement assuming that we draw-down the Standby Equity Distribution Agreement in full at $1.61 per share (the closing price of our common stock on October 6, 2005) and at a 25%, 50% and 75% discount to that price.

| | **Market Price: $1.61** | **Market Price: $1.21** | **Market Price: $0.81** | **Market Price: $0.40** |
|---|---|---|---|---|
| No. of Shares (1): | 21,739,130 | 28,925,620 | 43,209,877 | 87,500,000 |
| Total Outstanding (2): | 54,212,558 | 61,399,048 | 75,683,305 | 119,973,428 |
| Percent Outstanding (3): | 66.9% | 89.1% | 133.1% | 269.5% |
| Net Cash to Access (4): | $ 33,115,000 | $ 33,115,000 | $ 33,115,000 | $ 33,115,000 |

(1) Represents the number of shares of common stock which could be issued to Cornell Capital Partners under the Standby Equity Distribution Agreement at the prices set forth in the table.

(2) Represents the total number of shares of common stock outstanding after the issuance of the shares to Cornell Capital Partners under the Standby Equity Distribution Agreement, including the 75,407 shares issued to Cornell Capital Partners as a commitment fee and the 5,386 shares issued to Monitor Capital, Inc., as a placement agent fee.

(3) Represents the shares of common stock to be issued as a percentage of the total number shares outstanding as of October 6, 2005.

(4) Net cash equals the gross proceeds minus the 5% fee to be paid to Cornell Capital Partners, the $10,000 fee paid to Yorkville Advisors Management and approximately $125,000 in offering expenses.

We engaged Monitor Capital, Inc., a registered broker-dealer, to act as placement agent in connection with the Standby Equity Distribution Agreement. We paid Monitor Capital, Inc. a fee of $10,000 in the form of 5,386 shares of our common stock as of September 28, 2005, under a Placement Agent Agreement.

| | |
|---|---|
| Common Stock Offered | 21,819,923 shares by the selling stockholders |
| Offering Price | Market Price |
| Common Stock Outstanding Before the Offering | 32,473,428 shares as of October 6, 2005 |
| Use of Proceeds | We will not receive any proceeds of the shares offered by the selling stockholders. Any proceeds we receive from the sale of common stock under the Standby Equity Distribution Agreement will be used |

| | |
|---|---|
| | for general working capital purposes. See Use of Proceeds. |
| Risk Factors | The securities offered hereby involve a high degree of risk. See Risk Factors beginning on page 4. |
| American Stock Exchange symbol | TTP |

**Selected Condensed Financial Information**

The statements of operations data for the years ended December 31, 2002, 2003 and 2004 and the balance sheet data as of December 31, 2003 and 2004 are derived from our audited consolidated financial statements and footnotes thereto included in the section beginning on page F-1. The statements of operations data for the years ended December 31, 2000 and 2001 and the balance sheet data as of December 31, 2000, 2001 and 2002 have been derived from our audited consolidated financial statements not included in this prospectus. We have also included data for the six months ended June 30, 2004 and 2005 from our unaudited interim consolidated financial statements included in the section beginning on page F-1. This data should be read together with our consolidated financial statements and related footnotes thereto included in the section beginning on page F-1 and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations.

| | Six Months Ended June 30, (unaudited) | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2004 | 2003 | 2002 | 2001 | 2000 |
| | (in thousands, except per share data) | | | | | | |
| **Statement of Operations Data:** | | | | | | | |
| Total revenue(1) | $ 27 | $ 1 | $ 31 | $ 89 | $ 2,892 | $ 4,572 | $ 1,880 |
| Operating expenses: | | | | | | | |
| Research and development | 9,722 | 9,711 | 20,415 | 22,258 | 29,819 | 23,339 | 16,744 |
| Acquired/in-process research and development(2) | | | 759 | 3,896 | | | 4,969 |
| General and administrative | 2,600 | 2,486 | 5,237 | 5,109 | 5,076 | 5,383 | 4,070 |
| Other income, net | 257 | 260 | 376 | 1,285 | 3,821 | 6,686 | 5,115 |
| Net loss | $ (12,038) | $ (11,936) | $ (26,004) | $ (29,889) | $ (28,182) | $ (17,464) | $ (18,788) |
| Basic and diluted net loss per share | $ (0.37) | $ (0.39) | $ (0.83) | $ (1.07) | $ (1.02) | $ (0.63) | $ (0.73) |
| Shares used in computing basic and diluted net loss per share | 32,350 | 30,558 | 31,381 | 27,907 | 27,642 | 27,595 | 25,591 |

(1) Revenues for 2001 include $2.5 million license fee payment from Novartis for the development and commercialization of iloperidone in Japan. Revenues for 2002 include a $2.0 million milestone payment from Schering.

(2) Acquired research and development reflects the acquisition of the minority shares of Proneura in 2004, the acquisition of DTI in 2003 and in-process research and development reflects the acquisition of GeoMed in 2000.

| | As of June 30, (unaudited) | | As of December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2004 | 2003 | 2002 | 2001 | 2000 |
| | (in thousands) | | | | | | |
| **Balance Sheet Data:** | | | | | | | |
| Cash, cash equivalents, and marketable securities | $ 24,279 | $ 48,469 | $ 36,322 | $ 46,555 | $ 73,450 | $ 105,051 | $ 117,523 |