COMMERCE BANCSHARES INC /MO/
Form S-8
November 08, 2016

As filed with the Securities and Exchange Commission on November 8, 2016
Registration No. 333- ___
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-8
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

COMMERCE BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Missouri	43-0889454
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1000 Walnut Kansas City, Missouri	64106
(Address of Principal Executive Offices)	(Zip Code)

Commerce Bancshares, Inc. Participating Investment Plan
(Full title of the plan)

Jeffery D. Aberdeen
Controller
1000 Walnut
Kansas City, Missouri 64106
(Name and address of agent for service)

(816) 234-2000
(Telephone number, including area code, of agent for service)

PLEASE SEND COPIES OF COMMUNICATIONS TO:

Thomas J.	Jeffrey T. Haughey,

Noack, Esq.	Esq.
Commerce Bancshares, Inc.	Husch Blackwell LLP
8000 Forsyth Blvd.	1700 Lincoln Street, Suite 4700
Clayton, Missouri 63105	Denver, Colorado 80203

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 definitions of “large accelerated filer” “accelerated filer” and “smaller reporting company” in Rule 12b-2
of the Exchange Act.

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

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CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)(3)	Proposed maximum aggregate offering price (2)(3)	Amount of registration fee (2)
Common Stock, par value $5.00 per share	1,500,000	$49.45	$74,175,000	$8,596.88

(1) This Registration Statement covers 1,500,000 additional shares of Common Stock to be sold under the Commerce Bancshares, Inc. Participating Investment Plan (the "PIP Plan"). This Registration Statement shall also be deemed to register and cover any additional shares of Common Stock that may be issued under the PIP Plan pursuant to the anti-dilution provisions of such plan as the result of any stock split, stock dividend or similar transaction, and such lesser amount of shares of Common Stock that may be issued under the PIP Plan as a result of any reverse stock split, stock combination or similar transaction.

(2) Pursuant to General Instruction E to Form S-8, a filing fee is only being paid with respect to the registration of additional securities for the PIP Plan.

(3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to paragraphs (c) and (h) of Rule 457 under the Securities Act. The price per share and aggregate offering price are based upon the average of the high and low prices of the Registrant's Common Stock reported on the NASDAQ Stock Market on November 4, 2016.

PART I
INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

ITEM 1. PLAN INFORMATION.*

ITEM 2. REGISTRANT INFORMATION AND EMPLOYEE PLAN ANNUAL INFORMATION.*

* The documents containing the information specified in “Item 1. Plan Information” and “Item 2. Registrant Information and Employee Plan Annual Information” of Form S-8 will be sent or given to participants in the Commerce Bancshares, Inc. Participating Investment Plan, as specified by Rule 428(b)(1) under the Securities Act. Such documents are not required to be, and are not, filed with the Securities and Exchange Commission either as part of this Registration Statement or as a prospectus or prospectus supplement pursuant to Rule 424 under the Securities Act. These documents and the documents incorporated by reference in this Registration Statement pursuant to Item 3 of Part II of Form S-8, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

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PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.
The following documents, filed with the Securities and Exchange Commission (the "SEC") by the Company are incorporated herein by reference:

- The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on February 24, 2016;
- The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed on May 6, 2016, for the quarter ended June 30, 2016, filed on August 5, 2016 and for the quarter ended September 30, 2016, filed on November 7, 2016;
- The Company's Current Report on Form 8-K filed on February 2, 2016 and April 22, 2016;
- All other reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since December 31, 2015, except for information furnished under Current Reports on Form 8-K, which is not deemed filed and not incorporated herein by reference; and
- The description of the Company's common stock, $5.00 par value per share, contained in the Company's Registration Statement filed pursuant to Section 12 of the Exchange Act and any amendments or reports filed for the purpose of updating that description.

Any document which we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Registration Statement and prior to the filing of a Post-Effective Amendment to this Registration Statement indicating that all securities offered under the Registration Statement have been sold, or deregistering all securities then remaining unsold (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules), are also incorporated herein by reference and shall be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated, or deemed to be incorporated, by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 351.355.1 of the Missouri General Business and Corporation Law (the "MGBCL") provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable

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cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 351.355.2 of the MGBCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, and amounts paid in settlement actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation unless and only to the extent that the court in which the action or suit was brought determines upon application that, despite the adjudication of liability and in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 351.355.8 of the MGBCL provides, in general, that a corporation may purchase and maintain insurance or another arrangement on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of the law.

Section 351.355.6 of the MGBCL also permits any person who is or was a director, officer, employee or agent, or to any person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, to seek indemnification under any applicable bylaw, agreement, vote of shareholders or otherwise.

There is also in effect a bylaw provision entitling officers and directors to be indemnified by the Company from and against any and all of the expenses, liabilities or other matters covered by said provision.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

Exhibit Number	Description
4.1	Restated Articles of Incorporation, as amended (incorporated by reference to Exhibit 3(a) to the Quarterly Report on Form 10-Q dated May 7, 2014, Commission File Number 000-02989).
4.2	Restated Bylaws, as amended (incorporated by reference to Exhibit 3(b) to the Current Report on Form 8-K dated February 14, 2013, Commission File No. 000-02989).
5.1*	Opinion of Husch Blackwell LLP, regarding the legality of the securities to be offered hereby.

23.1*	Consent of Husch Blackwell LLP (included in Exhibit 5.1).
23.2*	Consent of Independent Registered Public Accounting Firm.
24.1*	Power of Attorney (included in signature page of this Registration Statement).

* Filed herewith.

ITEM 9. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

Provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Securities and Exchange Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant, Commerce Bancshares, Inc., certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Clayton, State of Missouri, on the 8th day of November, 2016.

COMMERCE
BANCSHARES, INC.

/s/ Thomas J. Noack

By: Thomas J. Noack
Vice President and
Secretary

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas J. Noack and Jeffery D. Aberdeen and each of them, with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement on Form S-8, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ David W. Kemper David W. Kemper	Chief Executive Officer and Director (Principal Executive Officer)	November 8, 2016
/s/ Charles G. Kim Charles G. Kim	Chief Financial Officer (Principal Financial Officer)	November 8, 2016
/s/ Jeffery D. Aberdeen Jeffery D. Aberdeen	Controller (Principal Accounting Officer)	November 8, 2016
/s/ Terry D. Bassham Terry D. Bassham	Director	November 8, 2016
/s/ John R. Capps John R. Capps	Director	November 8, 2016
/s/ Earl H. Devanny, III Earl H. Devanny, III	Director	November 8, 2016
/s/ W. Thomas Grant, II W. Thomas Grant, II	Director	November 8, 2016
/s/ James B. Hebenstreit James B. Hebenstreit	Director	November 8, 2016
/s/ Jonathan M. Kemper Jonathan M. Kemper	Director	November 8, 2016
/s/ John Kemper John Kemper	Director	November 8, 2016
/s/ Benjamin F. Rassieur, III Benjamin F. Rassieur, III	Director	November 8, 2016
/s/ Todd R. Schnuck		

Todd R. Schnuck	Director	November 8, 2016
/s/ Andrew C. Taylor Andrew C. Taylor	Director	November 8, 2016
/s/ Kimberly G. Walker Kimberly G. Walker	Director	November 8, 2016

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EXHIBIT INDEX

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5.1*	Opinion of Husch Blackwell LLP, regarding the legality of the securities to be offered hereby.
23.1*	Consent of Husch Blackwell LLP (included in Exhibit 5.1).
23.2*	Consent of Independent Registered Public Accounting Firm.
24.1*	Power of Attorney (included in signature page of this Registration Statement).

* Filed herewith.

ders prior to consummation of the merger or sale beneficially own 20% or more of the stock of the surviving entity after consummation of the merge, Mr. Cerrone shall receive a bonus in an amount determined by multiplying the enterprise value by 2.5%.

On October 6, 2010 Synergy achieved the $20 million threshold required for Mr. Cerrone s realization bonus to be accrued on the cumulative gross proceeds of financing transactions since August 1, 2008. This bonus totaled $1,211,912, was deemed compensatory in

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nature and charged to expense during the year ended December 31, 2010. Mr. Cerrone has agreed with Synergy to defer payment of his bonus until the earlier of (i) March 31, 2012, (ii) the completion of a financing transaction yielding gross proceeds of $30 million on a cumulative basis subsequent to October 6, 2010 or (iii) the tenth business day after termination of the consulting agreement without cause or good reason (including a termination following a change of control transaction as that term is defined in his consulting agreement). In consideration of Mr. Cerrone agreeing to permit Synergy to defer payment of his bonus Synergy agreed to indemnify him from any liability for taxes or penalties that he may incur pursuant to Section 409A of the Internal Revenue Code and comparable state income tax laws. This bonus was paid in full during the year ended December 31, 2011, which payment does not terminate Synergy s indemnification liability.

If the consulting agreement is terminated by Synergy other than for cause or as a result of Mr. Cerrone s death or permanent disability or if Mr. Cerrone terminates the agreement for good reason which includes a change of control, Mr. Cerrone shall receive (i) a severance payment equal to the higher of the aggregate amount of his base compensation for the then remaining term of the agreement or twelve times the average monthly base compensation paid or accrued during the three full calendar months preceding the termination, (ii) expense compensation in an amount equal to twelve times the sum of his average base compensation during the three full months preceding the termination, (iii) immediate vesting of all unvested stock options and the extension of the exercise period of such options to the later of the longest period permitted by our stock option plans or ten years following the termination date, (iv) payment in respect of compensation earned but not yet paid and (v) payment of the cost of medical insurance for a period of twelve months following termination. In the event Mr. Cerrone s employment was terminated upon a change of control as of December 31, 2011, he would have been entitled to receive a lump sum payment of $957,129 less applicable withholding.

On January 20, 2011, Bernard F. Denoyer entered into an executive employment agreement with Synergy in which he agreed to serve as Senior Vice President, Finance. The term of the agreement was effective as of January 20, 2011, continues until January 20, 2013 and is automatically renewed for successive one year periods at the end of each term. Mr. Denoyer s base salary is currently $200,850 and he is eligible to receive a cash bonus of up to 20% of his base salary per year at the discretion of the Compensation Committee of the Board of Directors. If the employment agreement is terminated by Synergy other than for cause or as a result of Mr. Denoyer s death or permanent disability or if Mr. Denoyer terminates his employment for good reason which includes a change of control, Mr. Denoyer shall receive (i) a severance payment equal to the higher of the aggregate amount of his base salary for the then remaining term of the agreement or twelve times the average monthly base salary paid or accrued during the three full calendar months preceding the termination, (ii) immediate vesting of all unvested stock options and the extension of the exercise period of such options to the later of the longest period permitted by our stock option plans or ten years following the termination date, (iii) payment in respect of compensation earned but not yet paid and (iv) payment of the cost of medical insurance for a period of twelve months following termination. In the event Mr. Denoyer s employment was terminated upon a change of control as of December 31, 2011, he would have been entitled to receive a lump sum payment of $211,855, less applicable withholding.

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STOCK OPTION PLANS

We rely on incentive compensation in the form of stock options to retain and motivate directors, executive officers, employees and consultants. Incentive compensation in the form of stock options is designed to provide long-term incentives to directors, executive officers, employees and consultants, to encourage them to remain with us and to enable them to develop and maintain an ownership position in our common stock.

Callisto Pharmaceuticals, Inc. Stock Option Plans

In 1996, Callisto adopted the 1996 Incentive and Non-Qualified Stock Option Plan (the Plan) for employees, consultants and outside directors to purchase up to 2,000,000 shares of common stock. This Plan was amended in December 2002 to increase the number of shares authorized under the Plan to 10,000,000. The option term for the 3,113,817 options outstanding as of December 31, 2011 under the Plan is ten years from date of grant. The Plan terminated on January 1, 2006 under its original terms and no further options will be granted under the Plan.

On October 20, 2005, our stockholders approved the 2005 Equity Compensation Incentive Plan. The maximum number of shares of common stock with respect to which awards may be granted under the 2005 Equity Plan is 5,000,000. The option term for options granted under the 2005 Equity Plan is ten years from date of grant and there were 2,770,000 options available for future grants as of December 31, 2011.

On October 20, 2005, our stockholders approved our 2005 Directors Stock Option Plan. The maximum number of shares of common stock with respect to which awards may be granted under the 2005 Directors Plan is 1,000,000. The option term for options granted under the 2005 Directors Plan is ten years from date of grant and there are 833,000 option shares available for future grants as of December 31, 2011.

Our 2005 Equity Compensation Incentive Plan authorizes the grant of stock options to directors (excluding outside directors), eligible employees, including executive officers and consultants. The value realizable from exercisable options is dependent upon the extent to which our performance is reflected in the value of our common stock at any particular point in time. Equity compensation in the form of stock options is designed to provide long-term incentives to directors, executive officers and other employees. We approve the granting of options in order to motivate these employees to maximize stockholder value. Generally, vesting for options granted under the stock option plan is determined at the time of grant, and options expire after a 10-year period. Options are generally granted at an exercise price not less than the fair market value at the date of grant. As a result of this policy, directors, executives, employees and consultants are rewarded economically only to the extent that the stockholders also benefit through appreciation in the market. Options granted to employees are based on such factors as individual initiative, achievement and performance. In administering grants to executives, the Compensation Committee of the Board of Directors evaluates each executive s total equity compensation package. The compensation committee generally reviews the option holdings of each of the executive officers, including vesting and exercise price and the then current value of such unvested options. We consider equity compensation to be an integral part of a competitive executive compensation package and an important mechanism to align the interests of management with those of our stockholders.

The options we grant under the 2005 Equity Plan may be either incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or non-statutory stock options at the discretion of the Board of Directors and as reflected in the terms of the written option agreement. None of our stock option plans are qualified deferred compensation plans under Section 401(a) of the Code, and are not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As of December 31, 2011, we have 1,924,555 stock options outstanding not subject to our stock option plans.

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Synergy Pharmaceuticals, Inc. Stock Option Plan

During 2008, Synergy adopted the 2008 Equity Compensation Incentive Plan (the Synergy Plan) which is intended to promote the best interests of its stockholders by (i) assisting Synergy and its Subsidiaries in the recruitment and retention of persons with ability and initiative, (ii) providing an incentive to such persons to contribute to the growth and success of Synergy s businesses by affording such persons equity participation in Synergy and (iii) associating the interests of such persons with those of Synergy and its Subsidiaries and stockholders. Stock options granted under the Synergy Plan, typically vest after three years of continuous service from the grant date and have a contractual term of ten years. As of December 31, 2011 there were 5,964,039 stock options outstanding under the Synergy Plan and 1,535,961 shares available for future issuances. On March 1, 2010, a majority of the Synergy shareholders acting by written consent approved an amendment to the Synergy Plan increasing the number of shares reserved under the Synergy Plan to 7,500,000 shares.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding beneficial ownership of shares of our common stock as of March 29, 2012 by (i) each person know to beneficially own more than 5% of the outstanding common stock, (ii) each of our directors, (iii) the Named Executive Officers and (iv) all directors and executive officers as a group. Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws, where applicable. Unless otherwise indicated, the address of each beneficial owner listed below is c/o Callisto Pharmaceuticals, Inc., 420 Lexington Avenue, Suite 1609, New York, N.Y. 10170.

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Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned(1) Number of Shares	Percentage and Class
Gabriele M. Cerrone Chairman of the Board	3,417,292(2)	2.1%
Gary S. Jacob Chief Executive Officer, Chief Scientific Officer and Director	1,851,745(3)	1.2%
Bernard Denoyer Senior Vice President, Finance and Secretary	300,000(4)	*
John Brancaccio Director	168,123(5)	*
Randall K. Johnson Director	145,000(6)	*
All Directors and Executive Officers as a group (5 persons)	5,882,160(7)	3.6%
5% or Greater Stockholders		
R. Merrill Hunter	25,376,872	16.1%

* less than 1%

(1) Applicable percentage ownership as of March 29, 2012 is based upon 158,516,071 shares of common stock outstanding.

(2) Includes 1,368,055 shares of common stock issuable upon exercise of stock options.

(3) Includes 1,597,500 shares of common stock issuable upon exercise of stock options.

(4) Consists of 300,000 shares of common stock issuable upon exercise of stock options.

(5) Consists of 168,123 shares of common stock issuable upon exercise of stock options.

(6) Consists of 145,000 shares of common stock issuable upon exercise of stock options.

(7) Includes 3,578,678 shares of common stock issuable upon exercise of stock options.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting and investment power with respect to securities. Beneficial ownership determined in this manner may not constitute ownership of such securities for other purposes or indicate that such person has an economic interest in such securities.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

On May 2, 2011, Gabriele M. Cerrone, our Chairman of the Board, entered into an amended and restated consulting agreement with Synergy. The term of the agreement was effective as of August 1, 2008 and continues until December 31, 2014 and is automatically renewed for successive one year periods at the end of each term. Pursuant to the agreement, Mr. Cerrone s current compensation is $319,043 per year. Mr. Cerrone is eligible to receive a cash bonus of up to 50% of his base compensation per year based on meeting certain performance objectives and bonus criteria. Such performance objectives and bonus criteria for 2012 had not been determined as of March 14, 2012. Mr. Cerrone is also eligible to receive a realization bonus in the event that Synergy enters into an out-license agreement for our technology or enter into a joint venture in which Synergy contributes such rights to the joint venture where the enterprise value equals or exceeds a minimum $250 million during the term of the agreement or the license fees Synergy contracts to receive equals or exceeds $50 million. The realization bonus will be equal to the enterprise value in the case of a joint venture or financing or the sum of the license fees actually received multiplied by 0.5%. In addition, in the event Synergy engages in a merger transaction or a sale of substantially all of our assets where (i) our enterprise value at the time of the merger or sale equals or exceed $400 million and our stockholders prior to consummation of the merger or sale beneficially own less than 20% of the stock of the surviving entity after consummation of the merger or (ii) our enterprise value at the time of the merger or sale or 12 months after the merger or sale equals or exceed $250 million and our stockholders prior to consummation of the merger or sale beneficially own 20% or more of the stock of the surviving entity after consummation of the merge, Mr. Cerrone shall receive a bonus in an amount determined by multiplying the enterprise value by 2.5%.

On October 6, 2010 Synergy achieved the $20 million threshold required for Mr. Cerrone s realization bonus to be accrued on the cumulative gross proceeds of financing transactions since August 1, 2008. This bonus totaled $1,211,912, was deemed compensatory in nature and charged to expense during the year ended December 31, 2010. Mr. Cerrone has agreed with Synergy to defer payment of his bonus until the earlier of (i) March 31, 2012, (ii) the completion of a financing transaction yielding gross proceeds of $30 million on a cumulative basis subsequent to October 6, 2010 or (iii) the tenth business day after termination of the consulting agreement without cause or good reason (including a termination following a change of control transaction as that term is defined in his consulting agreement). In consideration of Mr. Cerrone agreeing to permit Synergy to defer payment of his bonus Synergy agreed to indemnify him from any liability for taxes or penalties that he may incur pursuant to Section 409A of the Internal Revenue Code and comparable state income tax laws. This bonus was paid in full during the year ended December 31, 2011, which payment does not terminate Synergy s indemnification liability.

If the consulting agreement is terminated by Synergy other than for cause or as a result of Mr. Cerrone s death or permanent disability or if Mr. Cerrone terminates the agreement for good reason which includes a change of control, Mr. Cerrone shall receive (i) a severance payment equal to the higher of the aggregate amount of his base compensation for the then remaining term of the agreement or twelve times the average monthly base compensation paid or accrued during the three full calendar months preceding the termination, (ii) expense compensation in an amount equal to twelve times the sum of his average base compensation during the three full months preceding the termination, (iii) immediate vesting of all unvested stock options and the extension of the exercise period of such options to the later of the longest period permitted by our stock option plans or ten years following the termination date, (iv) payment in respect of compensation earned but not yet paid and (v) payment of the cost of medical insurance for a period of twelve months following termination. In the event Mr. Cerrone s employment was terminated upon a change of control as of December 31, 2011, he would have been entitled to receive a lump sum payment of $957,129 less applicable withholding.

CONFLICTS OF INTEREST

Gabriele Cerrone and his affiliates are subject to certain potential conflicts of interests. His consulting agreement expressly recognizes that he may provide consulting services to others. In addition, from time to time, he or his affiliates may be presented with business opportunities which could be suitable for our business and Mr. Cerrone is not subject to any restrictions with respect to other business activities, except to the extent such activities are in violation of our Code of Conduct and Ethics or violate general confidentiality provisions of his consulting agreement. In instances where there is potential conflict of interest or business opportunity, with respect to any officer or director, including Mr. Cerrone, our Audit Committee has both the authority and responsibility to review such matters and take appropriate actions.

Any future transactions with officers, directors or 5% stockholders will be on terms no less favorable to us than could be obtained from independent parties. Any affiliated transactions must be approved by a majority of our independent and disinterested directors who have access to our counsel or independent legal counsel at our expense.

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

AUDIT FEES

The aggregate fees billed and unbilled for the fiscal years ended December 31, 2011 and December 31, 2010, for professional services rendered by our principal accountants for the audits of our annual financial statements, the review of our financial statements included in our quarterly reports on Form 10-Q and consultations and consents were approximately $397,890 and $365,000, respectively.

AUDIT-RELATED FEES

There were no aggregate fees billed for the fiscal years ended December 31, 2011 and 2010 for assurance and related services rendered by our principal accountants related to the performance of the audit or review of our financial statements.

TAX AND OTHER FEES

The aggregate fees billed and unbilled for the fiscal years ended December 31, 2011 and 2010 for professional services rendered by our principal accountants for tax preparation services was $22,650 for each year.

Consistent with SEC policies and guidelines regarding audit independence, the Audit Committee is responsible for the pre-approval of all audit and permissible non-audit services provided by our principal accountants on a case-by-case basis. Our Audit Committee has established a policy regarding approval of all audit and permissible non-audit services provided by our principal accountants. Our Audit Committee pre-approves these services by category and service. Our Audit Committee has pre-approved all of the services provided by our principal accountants.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(1)

Index to Financial Statement Schedules:

(2)

List of Documents Filed as a Part of This Report:

All schedules have been omitted because the required information is included in the consolidated financial statements or the notes thereto, or is not applicable or required.

(3)

Index to Exhibits

Exhibit Index

The Exhibits listed below are identified by numbers corresponding to the Exhibit Table of Item 601 of Regulation S-K. The Exhibits designated by an asterisk (*) are management contracts or compensatory plans or arrangements required to be filed pursuant to Item 15. Two asterisks (**) indicate confidential treatment requested with respect to deleted portions of this agreement.

Exhibit No.	**Description**
3.1	Certificate of Incorporation, as amended (Incorporated by reference to Exhibit 2.1 filed with the Company s Annual Report on Form 10-K filed on March 28, 2008)

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3.2	Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series A Convertible Preferred Stock of Callisto Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.1 filed with the Company s Current Report on Form 8-K filed on October 27, 2006)
3.3	Certificate of Amendment to Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series A Convertible Preferred Stock of Callisto Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.2 filed with the Company s Current Report on Form 8-K filed on December 27, 2006)
3.4	Certificate of Amendment to Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series A Convertible Preferred Stock of Callisto Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.2 filed with the Company s Current Report on Form 8-K filed on August 7, 2007)
3.5	Certificate of Amendment to Certificate of Designations, Number, Voting Powers, Preferences and Rights of Series A Convertible Preferred Stock of Callisto Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.1 filed with the Company s Current Report on Form 8-K filed on September 22, 2009)
3.6	Bylaws, as amended (Incorporated by reference to Exhibit 3.1 filed with the Company s Current Report on Form 8-K filed on June 4, 2007)
4.1	1996 Incentive and Non-Qualified Stock Option Plan (Incorporated by reference to Exhibit 4.1 filed with the Company s Current Report on Form 8-K filed on May 15, 2003)
4.4	2005 Equity Compensation Incentive Plan (Incorporated by reference to Appendix B filed with the Company s Definitive Proxy Statement on Schedule 14A filed on August 31, 2005)
4.5	2005 Directors Stock Option Plan (Incorporated by reference to Appendix C filed with the Company s Definitive Proxy Statement on Schedule 14A filed on August 31, 2005)

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10.1 Employment Agreement dated April 6, 2004 by and between Synergy Pharmaceuticals Inc. and Kunwar Shailubhai (Incorporated by reference to Exhibit 10.2 filed with the Company s Annual Report on Form 10-KSB on April 14, 2004)*

10.2 Amended and Restated License Agreement dated as of December 31, 2007 by and between Callisto Pharmaceuticals, Inc. and AnorMED Corporation, as successor in interest to AnorMED, Inc. (Incorporated by reference to Exhibit 10.3 filed with the Company s Annual Report on Form 10-K on March 28, 2008)**

10.3 Amendment dated October 19, 2005 to the Employment Agreement dated as of April 6, 2004 by and between Synergy Pharmaceuticals Inc. and Kunwar Shailubhai (Incorporated by reference to Exhibit 10.5 filed with the Company s Current Report on Form 8-K filed on October 21, 2005)*

10.4 Patent and Technology License Agreement dated January 10, 2006 between The University of Texas M.D. Anderson Cancer Center and Callisto Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.22 filed with the Company s Annual Report on Form 10-K filed on March 31, 2006)**

10.5 Amended and Restated Employment Agreement dated December 10, 2007 by and between Callisto Pharmaceuticals, Inc and Bernard Denoyer (Incorporated by reference to Exhibit 10.26 filed with the Company s Annual Report on Form 10-K on March 28, 2008)*

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Exhibit No.	Description
10.6	Technology Assignment Agreement between Callisto Pharmaceuticals, Inc. and AnorMED Corporation, a wholly owned subsidiary of Genzyme Corporation, dated December 19, 2008 (incorporated by reference to Exhibit 10.13 filed with the Company s Annual Report on Form 10-K filed on April 15, 2009).
10.7	Amended and Restated Executive Employment Agreement by and between Callisto Pharmaceuticals, Inc. and Gary S. Jacob dated March 11, 2009 (incorporated by reference to Exhibit 10.18 filed with the Company s Annual Report on Form 10-K filed on April 15, 2009).*
10.8	Amended and Restated Consulting Agreement by and between Callisto Pharmaceuticals, Inc. and Gabriele M. Cerrone dated March 11, 2009 (incorporated by reference to Exhibit 10.19 filed with the Company s Annual Report on Form 10-K filed on April 15, 2009).*
14	Code of Business Conduct and Ethics (Incorporated by reference to Exhibit 14 filed with the Company s Annual Report on Form 10-KSB filed on April 14, 2004)
21	List of Subsidiaries
23	Consent of BDO USA, LLP
31.1	Certification of Chief Executive Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act
31.2	Certification of Principal Financial Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Financial statements from the Annual Report on Form 10-K of the Company for the Year Ended December 31, 2011 as filed March 30, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows (iv) the Condensed Consolidated Statement of Stockholders Equity (Deficit) and (v) the Notes to Consolidated Financial Statements tagged as blocks of text.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CALLISTO PHARMACEUTICALS, INC.
(Registrant)

Date: March 30, 2012	By:	/s/ GARY S. JACOB Gary S. Jacob, *Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ GARY S. JACOB Gary S. Jacob	Chief Executive Officer and Director (Principal Executive Officer)	March 30, 2012
/s/ BERNARD F. DENOYER Bernard F. Denoyer	Senior Vice President, Finance (Principal Financial and Accounting Officer)	March 30, 2012
/s/ GABRIELE M. CERRONE Gabriele M. Cerrone	Chairman of the Board	March 30, 2012
/s/ JOHN P. BRANCACCIO John P. Brancaccio	Director	March 30, 2012
/s/ RANDALL K. JOHNSON Randall K. Johnson	Director	March 30, 2012

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CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

Index to the Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Callisto Pharmaceuticals, Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Callisto Pharmaceuticals, Inc. and Subsidiaries (a development stage company) (the Company) as of December 31, 2011 and 2010, the related consolidated statements of operations and cash flows for each of the three years in the period ended December 31, 2011 and for the period from June 5, 1996 (inception) to December 31, 2011 and the related consolidated statement of stockholders equity (deficit) for the period from June 5, 1996 (inception) to December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Callisto Pharmaceuticals, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 and for the period from June 5, 1996 (inception) to December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management s plans in regards to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO USA, LLP
New York, New York
March 30, 2012

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CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 13,244,961	$ 1,708,982
Prepaid expenses and other	796,028	769,403
Tax credits receivable	377,865	781,127
Total Current Assets	14,418,854	3,259,512
Property and equipment, net	5,774	9,397
Security deposits	87,740	87,740
Total Assets	$ 14,512,368	$ 3,356,649
LIABILITIES AND STOCKHOLDERS EQUITY/(DEFICIT)		
Current Liabilities:		
Accounts payable	$ 3,206,827	$ 4,755,361
Accrued expenses	1,457,427	2,311,050
Total Current Liabilities	4,664,254	7,066,411
Derivative financial instruments, at estimated fair value warrants	3,325,114	3,487,959
Total Liabilities	7,989,368	10,554,370
Commitments and contingencies		
Stockholders Deficit:		
Series A convertible preferred stock, par value $0.0001, 700,000 shares authorized, 8,000 shares outstanding at December 31, 2011 and December 31, 2010, respectively	1	1
Series B convertible preferred stock, par value $0.0001, 2,500,000 shares authorized, no shares outstanding at December 31, 2011 and December 31, 2010, respectively		
Common stock, par value of $.0001 per share: 225,000,000 shares authorized; 158,516,071and 157,509,404 shares outstanding at December 31, 2011 and December 31, 2010, respectively	15,852	15,751
Additional paid-in capital	168,531,201	139,496,452
Deficit accumulated during development stage	(142,366,313)	(135,573,268)
Total Stockholders Equity	26,180,741	3,938,936
Non-controlling interest	(19,657,741)	(11,136,657)
Total Stockholders Equity/(Deficit)	6,523,000	(7,197,721)
Total Liabilities and Stockholders Equity	$ 14,512,368	$ 3,356,649

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31, 2011	2010	2009	For the period June 5, 1996 (inception) to December 31, 2011
Revenues	$	$	$	$
Costs and Expenses:				
Research and development	13,318,455	9,588,543	3,423,515	59,094,517
Government grants				(1,135,318)
Purchased in-process research and development				6,944,553
General and administrative	7,610,136	7,343,188	5,106,470	60,372,657
Loss from Operations	(20,928,591)	(16,931,731)	(8,529,985)	(125,276,409)
Interest and investment income	1,695	25,548	25,008	916,577
Tax credit	367,613	1,025,606		1,393,219
Interest expense on notes payable	(11,877)	(322,705)	(436,693)	(943,124)
Loss on debt extinguishment		(2,099,892)		(2,099,892)
Change in fair value of derivative instruments	5,257,031	(15,344,578)	(9,413,744)	(16,910,285)
Net Loss	(15,314,129)	(33,647,752)	(18,355,414)	(142,919,914)
Net Loss attributable to noncontrolling interest	8,521,084	7,854,264		19,657,741
Net loss attributable to controlling interest	(6,793,045)	(25,793,488)	(18,355,414)	(123,262,173)
Series A Preferred stock conversion rate change and beneficial conversion feature accreted as a dividend			(136,889)	(5,025,849)
Series B Preferred stock conversion rate change and beneficial conversion feature accreted as a dividend			(1,678,703)	(12,174,391)
Cumulative effect of adopting ASC Topic 815 January 1, 2009				(1,903,900)
Net loss attributable to common stockholders	$ (6,793,045)	$ (25,793,488)	$ (20,171,006)	$ (142,366,313)
Weighted Average Common Shares Outstanding				
Basic and Diluted	158,298,920	69,033,439	51,394,669	
Net Loss per Common Share				
Basic and Diluted	$ (0.10)	$ (0.37)	$ (0.39)	

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)

	Preferred Shares	Preferred Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid in Capital
Balance at inception, June 5, 1996		$		$	$
Issuance of founder shares			2,642,500	264	528
Common stock issued			1,356,194	136	272
Common stock issued via private placement			1,366,667	137	1,024,863
Balance, December 31, 1996			5,365,361	537	1,025,663
Net loss for the year					
Common stock issued via private placement			1,442,666	144	1,081,855
Balance, December 31, 1997			6,808,027	681	2,107,518
Net loss for the year					
Amortization of stock-based compensation					52,778
Common stock issued via private placement			1,416,667	142	1,062,358
Common stock issued for services			788,889	79	591,588
Common stock repurchased and cancelled			(836,792)	(84)	(96,916)
Balance, December 31, 1998			8,176,791	818	3,717,326
Net loss for the year					
Deferred compensation stock options					9,946
Amortization of stock-based compensation					
Common stock issued for services					3,168,832
Common stock issued via private placement			346,667	34	259,966
Balance, December 31, 1999			8,523,458	852	7,156,070
Net loss for the year					
Amortization of stock-based compensation					
Common stock issued			4,560,237	455	250,889
Other					432
Preferred shares issued	3,485,299	348			5,986,302
Preferred stock issued for services	750,000	75			1,124,925
Balance, December 31, 2000	4,235,299	$ 423	13,083,695	$ 1,307	$ 14,518,618

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Unamortized Deferred Stock-Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance at inception, June 5, 1996	$	$	$
Issuance of founder shares		(404,005)	(403,213)
Common stock issued			408
Common stock issued via private placement			1,025,000
Balance, December 31, 1996		(404,005)	622,195
Net loss for the year		(894,505)	(894,505)
Common stock issued via private placement			1,081,999
Balance, December 31, 1997		(1,298,510)	809,689
Net loss for the year		(1,484,438)	(1,484,438)
Amortization of stock-based compensation			52,778
Common stock issued via private placement			1,062,500
Common stock issued for services			591,667
Common stock repurchased and cancelled			(97,000)
Balance, December 31, 1998		(2,782,948)	935,196
Net loss for the year		(4,195,263)	(4,195,263)
Deferred compensation stock options	(9,946)		
Amortization of stock-based compensation	3,262		3,262
Common stock issued for services			3,168,832
Common stock issued via private placement			260,000
Balance, December 31, 1999	(6,684)	(6,978,211)	172,027
Net loss for the year		(2,616,261)	(2,616,261)
Amortization of stock-based compensation	4,197		4,197
Common stock issued			251,344
Other			432
Preferred shares issued			5,986,650
Preferred stock issued for services			1,125,000
Balance, December 31, 2000	$ (2,487)	$ (9,594,472)	$ 4,923,389

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Preferred Shares	Preferred Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid in Capital
Balance, December 31, 2000	4,235,299	$ 423	13,083,695	$ 1,307	$ 14,518,618
Net loss for the year					
Deferred compensation stock options					20,000
Amortization of stock-based compensation					
Balance, December 31, 2001	4,235,299	423	13,083,695	1,307	14,538,618
Net loss for the year					
Amortization of stock-based compensation					
Balance, December 31, 2002	4,235,299	423	13,083,695	1,307	14,538,618
Net loss for the year					
Conversion of preferred stock in connection with the merger	(4,235,299)	(423)	4,235,299	423	
Common stock issued to former Synergy stockholders			4,329,927	432	6,494,458
Common stock issued in exchange for Webtronics common stock			1,503,173	150	(150)
Deferred compensation stock options					9,313,953
Amortization of stock-based compensation					
Private placement of common stock, net			2,776,666	278	3,803,096
Balance, December 31, 2003			25,928,760	2,590	34,149,975
Net loss for the year					
Common stock issued via private placements, net			3,311,342	331	6,098,681
Warrant and stock-based compensation for services in connection with the merger					269,826
Common stock returned from former Synergy stockholders			(90,000)	(9)	(159,083)
Stock issued for patent rights			25,000	3	56,247
Common stock issued for services			44,000	7	70,833
Variable account for stock options					(816,865)
Amortization of stock-based compensation					
Stock-based compensation					240,572
Balance, December 31, 2004		$	29,219,102	$ 2,922	$ 39,910,186

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Unamortized Deferred Stock-Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance, December 31, 2000	$ (2,487)	$ (9,594,472)	$ 4,923,389
Net loss for the year		(1,432,046)	(1,432,046)
Deferred compensation stock options	(20,000)		
Amortization of stock-based compensation	22,155		22,155
Balance, December 31, 2001	(332)	(11,026,518)	3,513,498
Net loss for the year		(1,684,965)	(1,684,965)
Amortization of stock-based compensation	332		332
Balance, December 31, 2002		(12,711,483)	1,828,865
Net loss for the year		(13,106,247)	(13,106,247)
Conversion of preferred stock in connection with the merger			
Common stock issued to former Synergy stockholders			6,494,890
Common stock issued in exchange for Webtronics common stock			
Deferred compensation stock options	(9,313,953)		
Amortization of stock-based compensation	3,833,946		3,833,946
Private placement of common stock, net			3,803,374
Balance, December 31, 2003	(5,480,007)	(25,817,730)	2,854,828
Net loss for the year		(7,543,467)	(7,543,467)
Common stock issued via private placements, net			6,099,012
Warrant and stock-based compensation for services in connection with the merger			269,826
Common stock returned from former Synergy stockholders			(159,092)
Stock issued for patent rights			56,250
Common stock issued for services			70,840
Variable account for stock options			(816,865)
Amortization of stock-based compensation	3,084,473		3,084,473
Stock-based compensation	93,000		333,572
Balance, December 31, 2004	$ (2,302,534)	$ (33,361,197)	$ 4,249,377

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Series A Convertible Preferred Shares	Series A Convertible Preferred Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid in Capital	Unamortized Deferred Stock-Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance, December 31, 2004		$	29,219,102	$ 2,922	$ 39,910,186	$ (2,302,534)	$ (33,361,197)	$ 4,249,377
Net loss for the year							(11,779,457)	(11,779,457)
Deferred stock-based compensation new grants					1,571,772	(1,571,772)		
Amortization of stock-based compensation						2,290,843		2,290,843
Variable accounting for stock options					75,109			75,109
Common stock issued via private placement March 2005			1,985,791	198	3,018,203			3,018,401
Common stock issued via private placement August 2005			1,869,203	187	1,812,940			1,813,127
Finders fees and expenses					(176,249)			(176,249)
Exercise of common stock warrant			125,000	13	128,737			128,750
Common stock issued for services			34,000	3	47,177			47,180
Balance, December 31, 2005			33,233,096	3,323	46,387,875	(1,583,463)	(45,140,654)	(332,919)
Net loss for the year							(12,919,229)	(12,919,229)
Amortization of stock-based compensation					2,579,431			2,579,431
Reclassification of deferred unamortized stock-based compensation upon adoption of SFAS No. 123R					(1,583,463)	1,583,463		
Common stock issued via private placement February 2006			4,283,668	428	5,139,782			5,140,210
Common stock issued via private placement April 2006			666,667	67	799,933			800,000
Finders fees and expenses	11,775	1			(1,051,717)			(1,051,716)
Waiver and lock-up agreement			740,065	74	579,622			579,696
Common stock issued for services			87,000	9	121,101			121,110
Exercise of common stock warrants			184,500	18	190,017			190,035
Series A convertible preferred stock issued via private placement	574,350	57			5,743,443			5,743,500
Detachable warrants					2,384,485			2,384,485
Beneficial conversion feature accreted as a							(2,384,485)	(2,384,485)

dividend													
Balance, December 31, 2006	586,125	$	58	39,194,996	$	3,919	$	61,290,509	$		$	(60,444,368)	$ 850,118

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Series A Convertible Preferred Shares	Series A Convertible Preferred Stock, Par Value	Series B Convertible Preferred Shares	Series B Convertible Preferred Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid in Capital	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance, December 31, 2006	586,125	$ 58		$	39,194,996	$ 3,919	$ 61,290,509	$ (60,444,368)	$ 850,118
Net loss for the year								(7,887,265)	(7,887,265)
Stock-based compensation expense							591,561		591,561
Common stock issued for services					80,000	8	36,792		36,800
Series A convertible preferred stock, issued via private placement	28,000	4					279,997		280,001
Finders fees and expenses, Series A private placement							(36,400)		(36,400)
Conversion of Series A preferred stock to common stock	(395,450)	(40)			7,668,165	767	(727)		
Beneficial conversion feature accreted as a dividend to Series A convertible preferred stock							2,504,475	(2,504,475)	
Series B convertible preferred stock, issued via private placement			1,147,050	115			11,470,385		11,470,500
Finders fees and expenses, Series B private placement							(920,960)		(920,960)
Beneficial conversion feature accreted as a dividend to Series B convertible preferred stock							10,495,688	(10,495,688)	
Change in fair value of Series B warrants from date of issuance to expiration of put option							(2,591,005)		(2,591,005)
Balance, December 31, 2007	218,675	22	1,147,050	115	46,943,161	4,694	83,120,315	(81,331,796)	1,793,350
Net loss for the year								(9,655,471)	(9,655,471)
Recapitalization of majority owned subsidiary via private placements of common stock							2,951,913		2,951,913
Minority interest in equity of subsidiary acquired							(42,824)		(42,824)
Stock-based compensation expense							589,063		589,063
Proceeds from issuance of 11% Notes attributable to							181,732		181,732

detachable warrants									
Conversion of Series A preferred stock to common stock	(120,675)	(12)			2,413,500	241	(229)		
Conversion of Series B preferred stock to common stock			(10,000)	(1)	200,000	20	(19)		
Balance, December 31, 2008	98,000	$ 10	1,137,050	$ 114	49,556,661	$ 4,955	$ 86,799,951	$ (90,987,267)	$ (4,182,237)

The accompanying notes are an integral part of these consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Series A Convertible Preferred Shares	Series A Convertible Preferred Stock	Series B Convertible Preferred Shares	Series B Convertible Preferred Stock	Common Shares	Common Stock Par Value	Additional Paid in Capital	Deficit Accumulated during the Development Stage	Non-Controlling Interest	Total Stockholders Equity (Deficit)
Balance, December 31, 2008	98,000	$ 10	1,137,050	$ 114	49,556,661	4,955	$ 86,799,951	$ (90,987,267)	$	$ (4,182,237)
Cumulative effect of adoption of ASC Topic 815							(181,732)	(1,903,900)		(2,085,632)
Net Loss								(15,073,021)	(3,282,393)	(18,355,414)
Stock based compensation expense							1,119,856			1,119,856
Conversion of Series A preferred stock to common stock	(35,000)	(4)			894,445	89	(85)			
Conversion of Series B preferred stock to common stock			(122,884)	(12)	2,963,236	296	(284)			
Private placements of common stock of majority owned subsidiary							15,970,100			15,970,100
Fees and expenses associated with private placements of majority owned subsidiary							(260,002)			(260,002)
Preferred Stock dividend attributable to reset of conversion price in conjunction with waiver of liquidation preference							1,815,592	(1,815,592)		
Cashless Conversion of Warrants to Common Stock					193,769	19	(19)			
Balance December 31, 2009	63,000	$ 6	1,014,166	$ 102	53,608,111	$ 5,359	$ 105,263,377	$ (109,779,780)	$ (3,282,393)	$ (7,793,329)
Net Loss								(25,793,488)	(7,854,264)	(33,647,752)
Stock based compensation expense							854,651			854,651
	(55,000)	(5)			1,527,777	153	(148)			

Conversion of Series A preferred stock to common stock	