

PRO PHARMACEUTICALS INC

Form 424B3

November 01, 2010

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-169463

PROSPECTUS

52,254,130 Shares of Common Stock

This prospectus covers the offer and sale of up to 52,254,130 shares of our common stock from time to time by the selling stockholders named in this prospectus. The shares of common stock being offered (i) are issuable upon the exercise of warrants, (ii) are issuable upon the conversion of shares of our Series B-1 convertible redeemable referred stock and Series B-2 convertible redeemable preferred stock, or (iii) have been issued or may be issued as stock dividends on such two series of preferred stock.

We are not offering any shares of common stock.

The selling stockholders will receive all of the net proceeds from sales of the common stock covered by this prospectus and will pay all underwriting discounts and selling commissions, if any, applicable to those sales. We will not receive any proceeds from sales of any of these shares. We will receive the exercise price of the warrants to the extent they are not exercised on a net or cashless exercise basis.

The selling stockholders may periodically sell the shares directly or through agents, underwriters or dealers. The shares may be sold:

in the over-the-counter market, in privately negotiated transactions or otherwise;

directly to purchasers or through agents, brokers, dealers or underwriters; and

at market prices prevailing at the time of sale, at prices related to the prevailing market prices, or at negotiated prices.

If required, each time a selling stockholder sells shares of common stock, we will provide a prospectus supplement that will contain specific information about the terms of that transaction. We urge you to carefully read this prospectus and any accompanying prospectus supplement before you make an investment decision.

Investing in our securities involves a high degree of risk. As a result of our current lack of financial liquidity and negative stockholders equity, our auditors have expressed substantial doubt about our ability to continue as a going concern. You should purchase these securities only if you can afford a complete loss of your investment. See Risk Factors beginning on page 6 of this prospectus.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 1, 2010

Table of Contents

TABLE OF CONTENTS

<u>About This Prospectus</u>	3
<u>Prospectus Summary</u>	4
<u>Special Note Regarding Forward-Looking Statements</u>	6
<u>Risk Factors</u>	6
<u>Use of Proceeds</u>	13
<u>Description of the Transactions</u>	13
<u>Prior Securities Transactions with the Selling Stockholders</u>	13
<u>Selling Stockholders</u>	13
<u>Plan of Distribution</u>	15
<u>Business</u>	18
<u>Directors and Executive Officers</u>	37
<u>Summary Compensation Table</u>	41
<u>Security Ownership of Certain Beneficial Owners and Management</u>	47
<u>Legal Matters</u>	49
<u>Experts</u>	49
<u>Where You Can Find More Information</u>	49
<u>Index to Financial Statements</u>	F-1

Table of Contents

ABOUT THIS PROSPECTUS

Unless the context otherwise requires, all references to Pro-Pharmaceuticals, we, us, our, our company, or the Company in this prospectus to Pro-Pharmaceuticals, Inc., a Nevada corporation, and its subsidiaries, and their respective predecessor entities for the applicable periods, considered as a single enterprise.

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. For further information, please see the section of this prospectus entitled Where You Can Find More Information. The selling stockholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information appearing in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since those dates.

Table of Contents

PROSPECTUS SUMMARY

*This summary highlights important features of this offering and the information included in this prospectus. This summary does not contain all of the information that you should consider before investing in our securities. You should read this prospectus carefully as it contains important information you should consider when making your investment decision. See *Risk Factors* beginning on page 6.*

About Pro-Pharmaceuticals, Inc.

We are a development-stage company engaged in the discovery and development of therapeutics that target Galectin receptors that we believe enhance existing cancer treatments and could also be used in the treatment of liver, microbial and inflammatory diseases. All of our products are presently in development, including pre-clinical and clinical trials.

Since our inception on July 10, 2000, our primary focus has been the development of a new generation of anti-cancer treatments using polysaccharide polymers which are aimed at increasing survival and improving the quality of life for cancer patients. Our lead product candidate, DAVANAT[®], is a patented new chemical entity that we believe, when administered in combination with chemotherapy, increases the efficacy while reducing adverse side effects of the chemotherapy. We hold the patent on DAVANAT[®], which was invented by company founders David Platt, Ph.D., our former Chief Executive Officer, and Anatole Klyosov, Ph.D., our Chief Scientist.

In 2002, the U.S. Food and Drug Administration, or FDA, granted us an Investigational New Drug application, or IND, for use of DAVANAT[®] in combination with 5-fluorouracil, or 5-FU, to treat late-stage cancer patients with solid tumors. 5-FU is FDA-approved and one of the most widely used chemotherapies for treatment of various types of cancer, including colorectal, breast and gastrointestinal.

In September 2008, we submitted a clinical and pre-clinical package to the FDA in support of our DAVANAT[®] New Drug Application, or NDA. The FDA reported to us in its minutes for the December 2008 meeting that we will be required to conduct a Phase III trial to demonstrate superiority to the best standard of care for late stage colorectal cancer patients. We believe that using DAVANAT[®] in combination with 5-FU enables greater absorption of the chemotherapy in cancer cells while reducing its toxic side effects.

In March 2010, we granted PROCAPS S.A., or PROCAPS, exclusive rights to market and sell DAVANAT[®] to treat cancer in Colombia, South America, which we refer to in this prospectus as the PROCAPS Channel. PROCAPS is a large, international, privately held pharmaceutical company based in Barranquilla, Colombia. Under terms of the agreement, PROCAPS is responsible for obtaining regulatory and pricing approval in Colombia, South America. PROCAPS also will be responsible for the vial filling, packaging, marketing and distribution of DAVANAT[®] in the region. On June 22, 2010, we announced the initial \$200,000 purchase order of DAVANAT[®] by PROCAPS. After receipt of the PROCAPS purchase order, we delayed shipment of DAVANAT[®] to PROCAPS in order to resolve matters related to first-time international shipment of drugs. We have procured the required export license, and pending completion of related technical matters (such as product code, safety documents, customs clearance, etc.), anticipate shipment of DAVANAT[®] in the fourth quarter of 2010 and payment from PROCAPS.

We plan to submit an NDA for co-administration of DAVANAT[®] with 5-FU for the indication of colorectal cancer.

We were incorporated under Nevada law on January 26, 2001 and in May of that year acquired a Massachusetts corporation (organized on July 10, 2000) 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.

Principal Executive Offices

Our principal executive offices are located at 7 Wells Avenue, Newton, Massachusetts 02459. Our telephone number is (617) 559-0033, fax number is (617) 928-3450 and our website address is www.pro-pharmaceuticals.com. The information on our website is not incorporated by reference into this prospectus and should not be relied upon with respect to this offering.

Table of Contents

The Offering

Securities Offered

52,254,130 shares of our common stock offered by selling stockholders

Use of Proceeds

We will not receive any proceeds from the sale of shares by the selling stockholders. To the extent that the warrants are exercised by the selling stockholder for cash, rather than by cashless exercise, we will receive proceeds constituting the exercise price of such warrants. Any such proceeds received by us through warrant exercises will be used for working capital.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference contain, in addition to historical information, forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance and can be identified by the use of forward-looking terminology such as may, could, expect, anticipate, estimate, continue or other similar words. 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 these 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, those described in, or incorporated by reference into, the Risk Factors section of this prospectus. We cannot assure you that we have identified all the factors that create uncertainties. Readers should not place undue reliance on forward-looking statements. We undertake no obligation to publicly release the result of any revision of these forward-looking statements to reflect events or circumstances after the date they are made or to reflect the occurrence of unanticipated events.

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 us. 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 such risks actually occur, our business, financial condition and operating results could be materially adversely affected. In such case you may lose part or all of your investment.

Risks Related to Our Business

We have incurred net losses to date and must raise additional capital by the end of June 2011 in order to continue to operate.

As of the date of this registration statement, we believe that we have sufficient cash to meet our financial and operating obligations into the second quarter of 2011. We will require more cash to fund our operations and believe we will be able to obtain additional financing. While we believe that we will be able to obtain such additional financing, there can be no assurance that we will be successful in obtaining it or, if available, that such financing will be obtainable on terms favorable to us.

We have incurred net losses in each year of operation since our inception in July 2000. Our accumulated deficit as of December 31, 2009 was \$47.7 million and our accumulated deficit as of June 30, 2010 was \$53.0 million. Also, the report of the independent registered public accounting firm on our financial statements included in our Annual Report on Form 10-K for the period ended December 31, 2009, contains an explanatory paragraph regarding going-concern uncertainty. These financial statements do not include any adjustments or charges that might be necessary should we be unable to continue as a going concern. If we are not able to continue as a going concern, it is likely that investors will lose all or a part of their investment.

Based on \$2,863,000 of unrestricted cash as of June 30, 2010, combined with approximately \$1,459,000 received from the exercise of common stock warrants and stock options through October 5, 2010, we believe that we have sufficient cash to meet our financial and operating obligations into June 2011. 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. We have taken steps to reduce our administrative and clinical spending, however, we must raise additional cash by the end of June 2011, or we may not be able to continue operations and may be forced to seek bankruptcy protection.

Table of Contents

We may raise 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.

We are a development stage company with product inventory on hand but have not yet generated any revenue.

We are a development stage company and at this time we have on hand approximately 50,000 doses of DAVANAT[®] that could be sold if FDA or other regulatory approval of the drug were granted. Accordingly, we have not generated any revenues to date. We expect that with the activation of the PROCAPS Channel to generate some revenue within the next six months. There is no assurance however, that we will obtain FDA approval of DAVANAT[®] or any other of our products in development and, even if we do so, that we will generate revenue sufficient to become profitable. Our failure to generate revenue and profit would likely lead to loss of your investment.

Our drug candidates are based on novel unproven technologies.

Our drug candidates in development are based on novel unproven technologies using proprietary compounds in combination with FDA approved drugs currently used in the treatment of cancer and other diseases. Therapeutics that target Galectin receptors are difficult to synthesize and we may not be able to synthesize them in a way that would make them usable as target delivery vehicles for the anti-cancer drugs.

We have one drug candidate in clinical trials and results are uncertain.

DAVANAT[®], our lead product candidate, is 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 though DAVANAT[®] progressed successfully through Phase I and Phase II human trials, it may fail in Phase III trials or in later stages of development. We will 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 not achieve desired results.

We may be unable to commercialize our product candidates.

Even if DAVANAT[®] and other anticipated product candidates achieve positive results in clinical trials, we may be unable to commercialize them. Although we anticipate receipt of regulatory approvals in connection with the PROCAPS Channel, there is no assurance that such approvals would be forthcoming. Our general inability to commercialize our products would substantially impair the viability of the Company.

There are risks associated with our reliance on third parties to design trial protocols, arrange for and monitor the clinical trials, and collect and analyze data.

As we develop products eligible for clinical trials, including DAVANAT[®], we will contract with independent parties to assist us in the design of 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

Table of Contents

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.

There are risks associated with our reliance on third parties for manufacturing, marketing, sales, managed care and distribution infrastructure and channels.

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. At this time, we are not a party to any long-term agreement with any of our suppliers, and accordingly, we have our products manufactured on a purchase-order basis from one of two primary suppliers. We are developing relationships with manufacturers and will enter into collaborative 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.

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. Thus, we expect that we will be required to enter into agreements with commercial partners to engage in sales, marketing and distribution efforts around our products in development. We may be unable to establish or maintain third-party relationships on a commercially reasonable basis, if at all. In addition, these third parties may have similar or more established relationships with our competitors. If we do not enter into relationships with third parties for the sales and marketing of our proposed products, we will need to develop our own sales and marketing capabilities.

Even if engaged, these distributors may:

fail to satisfy financial or contractual obligations to us;

fail to adequately market our products;

cease operations with little or no notice to us; or

offer, design, manufacture or promote competing formulations or products.

If we fail to develop sales, managed care, marketing and distribution channels, we would experience delays in generating sales and incur increased costs, which would harm our financial results.

Performance milestones may not occur as contemplated by the agreement with PROCAPS S.A.

As our arrangement with PROCAPS is a collaboration, and because collaborations take place over time, milestone and performance risks are inherent and so performance milestones may not occur as contemplated by our agreement.

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. Although we have engaged a number of consultants to assist us, any additional growth may 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.

Table of Contents

We are exposed to product liability, pre-clinical and clinical liability risks which could place a financial burden upon us, should we be sued, because we do not currently have product liability insurance above and beyond our general insurance coverage.

Our business exposes us to potential product liability and other liability risks that are inherent in the testing, manufacturing and marketing of pharmaceutical formulations and products, as a result of which claims may be asserted against us. In addition, the use in our clinical trials of pharmaceutical formulations and products that our potential collaborators may develop and the subsequent sale of these formulations or products by us or our potential collaborators may cause us to bear a portion of or all product liability risks. A successful liability claim or series of claims brought against us could have a material adverse effect on our business, financial condition and results of operations.

Since we do not currently have any FDA-approved products or formulations, we do not currently have any product liability insurance covering commercialized products. We may not be able to obtain or maintain adequate product liability insurance on acceptable terms, if at all, or such insurance may not provide adequate coverage against our potential liabilities. Furthermore, our current and potential partners with whom we have collaborative agreements or our future licensees may not be willing to indemnify us against these types of liabilities and may not themselves be sufficiently insured or have sufficient liquidity to satisfy any product liability claims. Claims or losses in excess of any product liability insurance coverage that may be obtained by us could have a material adverse effect on our business, financial condition and results of operations.

If users of our proposed products are unable to obtain adequate reimbursement from third-party payers, market acceptance of our proposed products may be limited and we may not achieve revenues.

The continuing efforts of governments and insurance companies, health maintenance organizations and other payers of healthcare costs to contain or reduce costs of health care may affect our future revenues and profitability, and the future revenues and profitability of our potential customers, suppliers and collaborative partners and the availability of capital. In other words, our ability to commercialize our proposed products will depend in large part on the extent to which appropriate reimbursement levels for the cost of our proposed formulations and products and related treatments are obtained by the health care providers of these products and treatments. While at this time we cannot predict the precise impact in this regard of the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Affordability Act of 2010, the comprehensive health care reform legislation passed by Congress in March 2010, the adoption of this legislation could harm our business, financial condition and results of operations.

We depend on key individuals to develop our products and pursue collaborations.

We are dependent on Anatole Klyosov, Ph.D., our Chief Scientist, who possesses the scientific and technical expertise and experience that is important to our success. The loss of Dr. Klyosov, or failure to attract or retain other key personnel, could make it difficult for us in pursuing collaborations or developing new products and core technologies.

We are involved in litigation with Summer Street Research Partners.

In January 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. In July 2008, we filed an answer, denying Summer Street's material allegations. The parties are currently engaged in discovery and no trial date has been set for this matter. We believe the lawsuit is without merit and intend to contest it vigorously. However, if we were to receive an adverse decision, we might be required to pay cash damages to Summer Street which could have a material adverse effect on our financial position.

Table of Contents

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. Before receiving FDA clearance to market our proposed products, we will have to demonstrate that our products are safe and effective on the patient population and for the diseases that are to be treated. Clinical trials, manufacturing and marketing of drugs are subject to the rigorous testing and approval process of the FDA and equivalent foreign regulatory authorities. The Federal Food, Drug and Cosmetic Act and other federal, state and foreign statutes and regulations govern and influence the testing, manufacture, labeling, advertising, distribution and promotion of drugs and medical devices. As a result, regulatory approvals can take a number of years or longer to accomplish and require the expenditure of substantial financial, managerial and other resources. 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 product candidates, which would prevent, defer or decrease our receipt of revenues. In addition, if we receive initial regulatory approval, our product candidates will be subject to extensive and rigorous ongoing domestic and foreign government regulation.

Data obtained from clinical trials are susceptible to varying interpretations, which could delay, limit or prevent regulatory clearances.

Data already obtained, or in the future obtained, from pre-clinical studies and clinical trials do not necessarily predict the results that will be obtained from later pre-clinical studies and clinical trials. Moreover, pre-clinical and clinical data is susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. The failure to adequately demonstrate the safety and effectiveness of a proposed formulation or product under development could delay or prevent regulatory clearance of the potential drug, resulting in delays to commercialization, and could materially harm our business. Our clinical trials may not demonstrate sufficient levels of safety and efficacy necessary to obtain the requisite regulatory approvals for our drugs, and thus our proposed drugs may not be approved for marketing.

Our competitive position depends on protection of our intellectual property.

Development and protection of our intellectual property are critical to our business. All of our intellectual property, patented or otherwise, has been invented and/or developed by employees of the Company. 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 U.S. and other countries, protect trade secrets, and prevent others from infringing on our proprietary rights.

Since patent applications in the U.S. 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.

Table of Contents

Some or all of our patent applications may not issue as patents or the claims of any issued patents may not 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.

Products we develop could be subject to infringement claims asserted by others.

We cannot assure that products based on our patents or intellectual property 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 other intellectual property, 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 pharmaceutical products, 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 succeed in obtaining FDA or other regulatory approvals for product candidates before we do. Acquisitions of, or investments in, competing pharmaceutical or biotechnology companies by large corporations could increase such competitors' financial, marketing, manufacturing and other resources.

The market for our proposed products is rapidly changing and competitive, and new drugs and new treatments which may be developed by others could impair our ability to maintain and grow our business and remain competitive.

The pharmaceutical and biotechnology industries are subject to rapid and substantial technological change. Developments by others may render our proposed products noncompetitive or obsolete, or we may be unable to keep pace with technological developments or other market factors. Technological competition from pharmaceutical and biotechnology companies, universities, governmental entities and others diversifying into the field is intense and is expected to increase.

As a pre-revenue company engaged in the development of drug technologies, our resources are limited and we may experience technical challenges inherent in such technologies. Competitors have developed or are in the process of developing technologies that are, or in the future may be, the basis for competition. Some of these technologies may have an entirely different approach or means of accomplishing similar therapeutic effects compared to our proposed products. Our competitors may develop drugs that are safer, more effective or less costly than our proposed products and, therefore, present a serious competitive threat to us.

The potential widespread acceptance of therapies that are alternatives to ours may limit market acceptance of our proposed products, even if commercialized. Many of our targeted diseases and conditions can also be

Table of Contents

treated by other medication. These treatments may be widely accepted in medical communities and have a longer history of use. The established use of these competitive drugs may limit the potential for our technologies, formulations and products to receive widespread acceptance if commercialized.

Risks Related to Our Common 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, generally, our ability to raise capital.

Our Board of Directors has the power to designate, without shareholder approval, a series of preferred stock the shares of which could be senior to the common stock and be entitled to conversion or voting rights that adversely affect the holders of our common stock.

Our Articles of Incorporation authorizes issuance of capital stock including 20,000,000 undesignated shares, and empowers our Board of Directors to prescribe by resolution and without shareholder approval a class or series of undesignated shares, including the number of shares in the class or series and the voting powers, designations, rights, preferences, restrictions and the relative rights in each such class or series. Accordingly, we may authorize the issuance of additional shares or series of preferred stock that would rank senior to the shares of common stock as to dividend rights or rights upon our liquidation, winding-up, or dissolution.

We could issue additional common stock, which might dilute the book value of our common stock.

Our Board of Directors has authority, without action or vote of our shareholders, 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 or a premium 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 the percentage ownership interest, which would have the effect of reducing your influence on matters on which our shareholders 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 shareholders 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 shareholder who desires to sell a large number of shares of common stock to sell the shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

Table of Contents

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares by the selling stockholders. To the extent that the warrants are exercised by the selling stockholders for cash, rather than by cashless exercise, we will receive proceeds constituting the exercise price of such warrants. Any such proceeds received by us through warrant exercises will be used for working capital.

DESCRIPTION OF THE TRANSACTIONS

This prospectus relates primarily to the resale of shares of our common stock that are issuable to the selling stockholders named in this prospectus upon conversion or exercise of securities described below that we sold to them in two transactions. We issued and sold all of these securities to the selling stockholders without registration under the Securities Act of 1933, as amended, or the Securities Act, in reliance upon the exemption provided by Section 4(2) of the Securities Act for transactions not involving a public offering. Prior to issuance, each selling stockholder represented to us that such selling stockholder was an accredited investor, as defined in Rule 501 of Regulation D under the Securities Act, and that the selling stockholder was acquiring the securities for investment purposes only and not with a view to, or sale in connection with, any distribution thereof.

Series A 12% Convertible Preferred Stock and related warrants

On February 4, 2008, we completed the issue and sale of 1,742,500 units to investors, each unit comprised of:

One share of our Series A 12% convertible preferred stock, or the Series A preferred stock, which is convertible to one share of our common stock;

A five-year warrant to purchase one share of our common stock at an exercise price of \$1.50 per share; and

A five-year warrant to purchase one share of our common stock at an exercise price of \$2.00 per share, which warrants we refer to in this prospectus as the 2008 warrants.

This prospectus covers the resale of 250,000 shares issuable to two selling stockholders upon exercise of their 2008 warrants. We previously registered the resale of all other shares of our common stock issuable upon conversion of the Series A preferred stock and exercise of the 2008 warrants.

Series B-1 and Series B-1 Convertible Redeemable Preferred Stock and related warrants

On February 12, 2009, we entered into definitive agreements with one investor, the 10X Fund, L.P., a Delaware limited partnership, or the 10X Fund, related to the issuance and sale of the following securities, the initial tranche of which was purchased on that date, which is referred to in this prospectus as the 10X Fund sale date:

900,000 shares of our Series B-1 convertible redeemable preferred stock, or Series B-1 preferred stock, each of which is convertible into four shares of our common stock for a total of 3,600,000 shares of common stock;

2,100,000 shares of our Series B-2 convertible redeemable preferred stock, or Series B-2 preferred stock, and together with the Series B-1 preferred stock, the Series B preferred stock, each of which is convertible into four shares of our common stock for a total of 8,400,000 shares of common stock;

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Class A-1 warrants exercisable to purchase 6,000,000 shares of our common stock;

Class A-2 warrants exercisable to purchase 6,000,000 shares of our common stock; and

Class B warrants exercisable to purchase 24,000,000 shares of our common stock, which are referred to in this prospectus, together with the Class A-1 and Class A-2 warrants, as the 2009 warrants.

We sold the Series B preferred stock for \$2.00 per share, each of which is convertible on a one to four ratio to shares of common stock at an effective price of \$0.50 per share. The conversion price, and number of shares issuable upon conversion, are subject to adjustment in the event of stock splits, recapitalizations and the like, but are not adjustable based on a discount or other floating rate relative to the future trading price of the common stock at the time of conversion(s). Absent such an adjustment event, the maximum number of shares issuable upon conversion of the Series B preferred stock is 12,000,000.

The 2009 warrants are exercisable for five years at \$0.50 per share of common stock and may not be exercised cashlessly. The exercise price of the 2009 warrants, and number of shares issuable upon exercise, are subject to adjustment in the event of stock splits, recapitalizations and the like, but not anti-dilution protection that is triggered by future offers or sales of common stock, or securities convertible or exercisable for common stock, at a price below the initial exercise price of warrants. Absent such an adjustment event, the maximum number of shares issuable upon exercise of the 2009 warrants is 36,000,000. If all the 2009 warrants were to be exercised, we would receive gross proceeds of \$18,000,000.

The Class A-1 warrants contain a mandatory exercise condition affording us the right, provided a registration statement for the resale of the underlying shares of common stock is then in effect, upon 30 days prior notice, to issue a termination notice with respect to each Class A-1 warrant that has not been exercised on any day following which the trading price of our common stock for the preceding 15 trading days exceeds \$1.25 per share (subject to adjustments in the event of stock splits, recapitalizations and the like). The Class A-2 warrants contain an identical provision except that the trading price during such 15-day period must exceed \$1.75.

The 10X Fund acquired the Series B preferred stock and 2009 warrants in a series of tranches beginning on the 10X Fund sale date for gross proceeds to the Company of \$6,000,000 and net proceeds of approximately \$5.5 million. The trading price of our common stock on the 10X Fund sale date was at or less than \$0.20. Accordingly, as of that date, the market value of the 12,000,000 shares of common stock underlying Series B preferred stock was approximately \$2,400,000, an amount substantially less than the gross or net proceeds received in this transaction. Similarly, the \$0.50 exercise price of the 2009 warrants was approximately 250% of the trading price of our common stock on the 10X Fund sale date.

Transaction expenses including payments we made to or on behalf of the 10X Fund within 12 months after the 10X Fund sale date, and total paid, are forth in the table below. We have no further payment obligations to or on behalf of the 10X Fund in connection with this transaction. The net proceeds to us were \$5,532,955, or approximately 92% of the \$6,000,000 gross proceeds.

	Paid as of February 12, 2010	Total Paid
10X Fund origination fee (3%)	\$ 143,550	\$ 180,000
10X Fund counsel fee	130,410	150,285
Other 10X Fund professional & consulting fees	84,761	88,661
Other 10X Fund expenses	47,558	48,099
	\$ 406,279	\$ 467,045

PRIOR SECURITIES TRANSACTIONS WITH THE SELLING STOCKHOLDERS

Prior to the 10X Fund sale date, there had been no securities transactions between the 10X Fund and the Company. James C. Czirr, currently our Executive Chairman, has been a managing member of the general partner of the 10X Fund since it was formed in 2008. He was also a founder of Pro-Pharmaceuticals at its inception in 2001, at which time he was issued 4,939,868 shares of our common stock, 125,000 shares of which were registered for resale in 2003. Mr. Czirr participated in our private placement that closed on February 4, 2008 in which he purchased 100,000 shares of Series A preferred stock, or about 5.7% of that series, and 200,000 2008 warrants comprised of 100,000 warrants exercisable at \$1.50 per share and 100,000 warrants exercisable at \$2.00 per share, none of which has been exercised as of the date of this prospectus. He also holds shares of common stock issued as stock dividends on the Series A preferred stock. We previously registered the resale of the shares of our common stock issuable upon conversion of, or as stock dividends issued on, Mr. Czirr's shares of Series A preferred stock and upon exercise of

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his 2008 warrants.

David Platt, Ph.D., was a founder of Pro-Pharmaceuticals and its Chief Executive Officer until February 12, 2009. As a founder he was issued 4,949,247 shares of our common stock at the Company's inception in 2001, of which 200,000 were subsequently registered for resale in 2003. Dr. Platt participated in our private placement that closed on February 4, 2008 in which he purchased 100,000 shares of Series A preferred stock, or about 5.7% of that series, which he has since converted on a one-for-one basis to shares of our common stock, and 200,000 2008 warrants comprised of 100,000 warrants exercisable at \$1.50 per share and 100,000 warrants exercisable at \$2.00 per share, none of which has been exercised as of the date of this prospectus. He also holds shares of common stock issued as stock dividends on the Series A preferred stock. We previously registered the resale of the shares of our common stock issuable upon conversion of, or as stock dividends issued on, Dr. Platt's shares of Series A preferred stock. This prospectus relates to the resale of the shares of common stock issuable upon exercise of Dr. Platt's 2008 warrants.

Yona Binder, who is a family member of a founder of Pro-Pharmaceuticals, has not directly participated in any securities transactions with the Company. By gift transfer, she owns 50,000 2008 warrants comprised of 25,000 warrants exercisable at \$1.50 per share and 25,000 warrants exercisable at \$2.00 per share none of which have been exercised as of the date of this prospectus. This prospectus relates to the resale of the shares of common stock issuable upon exercise of Ms. Binder's 2008 warrants.

The following table provides certain additional information with respect to shares of common stock outstanding prior to the 10X Fund sale:

Number of shares of Common Stock outstanding prior to the 10X Fund sale date held by persons other than the selling stockholders, affiliates of the Company, and affiliates of the selling stockholders	40,523,861(1)
Number of shares of common stock registered for resale by selling stockholders or affiliates in prior registration statements	325,000(2)
Number of shares of common stock that have been sold in registered resale transactions by the selling stockholders or affiliates	200,000
Number of shares of common stock registered for resale on behalf of the selling stockholders or affiliates in transactions described in this prospectus	52,254,130(3)

- (1) Assumes shares outstanding at 10X Fund sale date of 48,252,159, less (i) 4,352,168 shares then owned beneficially by Mr. Czirr, (ii) 3,045,846 shares then owned beneficially by Dr. Platt and (iii) 330,284 shares then owned by other affiliates of the Company.
- (2) Includes 200,000 and 125,000 shares of common stock held or formerly held by Dr. Platt and Mr. Czirr, respectively, which were registered for resale in 2003. Excludes a de minimis number of shares of common stock issued as stock dividends on the Series A preferred stock to Mr. Czirr, Dr. Platt and Ms. Binder.
- (3) Includes (i) 12,000,000 shares of common stock underlying the Series B preferred stock, (ii) 36,000,000 shares underlying the 2009 warrants, (iii) 4,004,130 shares issued or issuable as stock dividends on the Series B preferred stock through March 31, 2012, and (iv) 250,000 shares underlying the 2008 Warrants owned by Dr. Platt and Ms. Binder.

SELLING STOCKHOLDERS

This prospectus covers the sale by the selling stockholders from time to time of:

250,000 shares of common stock issuable upon exercise of certain 2008 warrants;

12,000,000 shares of common stock issuable upon the conversion of shares of the Series B-1 preferred stock and Series B-2 preferred stock;

36,000,000 shares of common stock issuable upon the exercise of the 2009 warrants, comprised of the following: 6,000,000 shares upon exercise of the Class A-1 warrants, 6,000,000 shares upon exercise of the Class A-2 warrants, and 24,000,000 shares upon exercise of the Class B warrants; and

4,004,130 shares of common stock, which we refer to in this prospectus as Series B dividend shares, comprised of 1,721,273 shares that we have distributed as Series B dividend shares prior to the date of this prospectus and 2,282,857 shares that we may distribute

as Series B dividend shares prior to the redemption of the Series B-1 preferred stock.

Table of Contents

The term "selling stockholder" includes (i) each person and entity that is identified in the table below (as such table may be amended from time to time by means of an amendment to the registration statement of which this prospectus forms a part) and (ii) any transferee, donee, pledgee or other successor of any person or entity named in the table that acquires any of the shares of common stock covered by this prospectus in a transaction exempt from the registration requirements of the Securities Act and that is identified in a supplement or amendment to this prospectus.

We have listed below:

the name of each selling stockholder;

the number of shares of common stock beneficially owned by the selling stockholder as of the date of this prospectus;

the maximum number of shares of common stock being offered by each of them in this offering; and

the number of shares of common stock to be owned by the selling stockholder after this offering (assuming sale of such maximum number of shares) and the percentage of the class which such number constitutes (if one percent or more).

The footnotes to the table identify each selling stockholder that is a registered broker-dealer or an affiliate of a registered broker-dealer.

Except as otherwise noted below, during the last three years, no selling stockholder has been an officer, director or affiliate of our company, nor has any selling stockholder had any material relationship with our company or affiliates during that period. Each selling stockholder represented at the closing of the private placement that it did not have any contract, undertaking, agreement or arrangement with any person to sell, transfer, pledge, hypothecate, grant any option to purchase or otherwise dispose of any of the securities. Based on information provided to us by the selling stockholders, the selling stockholders purchased the securities in the ordinary course of business.

The shares of common stock being offered hereby are being registered to permit public secondary trading, and the selling stockholders are under no obligation to sell all or any portion of their shares included in this prospectus. The information contained in the following table is derived from information provided to us by selling stockholders, our books and records, as well as from our transfer agent. Where we were unable to obtain information from a selling stockholder with respect to the total number of shares beneficially owned by such holder, we have included only the shares underlying warrants held by such holder.

Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of a given date which such person has the right to acquire within 60 days after such date.

We do not know when or in what amounts a selling stockholder may offer shares for sale. The selling stockholders may not sell any or all of the shares offered by this prospectus. Because the selling stockholders may offer some or all of the shares pursuant to this prospectus, and because there are currently no agreements, arrangements or understandings with respect to any of the shares, we cannot estimate the number of the shares that will be held by the selling stockholders after completion of the offering. However, for purposes of this table, we have assumed that, after completion of the offering, none of the shares covered by this prospectus will be held

Table of Contents

by the selling stockholders. The numbers of shares shown under the column Common Stock Owned Upon Completion of this Offering reflect the assumption solely for purpose of this table that such shares are still owned upon completion of the offering, which assumption is not intended to override the selling stockholder table in, as applicable, any other prospectus covering the resale of any other of our securities by the selling stockholders.

Name of Selling Stockholder	Common Stock Beneficially Owned Prior to the Offering	Common Stock Offered Pursuant to this Prospectus	Common Stock Owned Upon Completion of this Offering	Percentage of Common Stock Owned Upon Completion of this Offering
10X Fund, L.P.(1)	49,721,274	49,721,274	0 ⁽⁴⁾	*
David Platt(2)(3)	200,000	200,000	0	*
Yona Binder(3)	50,000	50,000	0	*

* Amounts to less than one percent.

Percentage calculations are based on 59,374,512 shares of our common stock issued and outstanding as of August 10, 2010.

- (1) Represents 3,600,000 shares issuable on conversion of Series B-1 preferred stock, 8,400,000 shares issuable upon conversion of Series B-2 preferred stock, 36,000,000 shares exercisable upon exercise of 2009 warrants, 1,721,273 common shares issued or issuable as Series B dividend shares within 60 days. Not included are 2,282,857 shares that may be issued as Series B dividend shares through the first quarter of 2012. The general partner of 10X Fund, L.P., a Delaware limited partnership, is 10X Capital Management, LLC, a Florida limited liability company, the managing members of which general partner are James C. Czirr and Rod D. Martin, each of whom is also a director of the Company. Messrs. Czirr and Martin in their capacity as managing members of the general partner of 10X Fund L.P. may be deemed to share voting and dispositive control of the shares of common stock owned by it but disclaim beneficial ownership of these shares.
- (2) Chief Executive Officer and President of the Company until February 12, 2009.
- (3) Represents shares issuable upon exercise of 2008 warrants.
- (4) Assumes all offered shares are sold.

PLAN OF DISTRIBUTION

Each selling stockholder and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of his, her or its shares on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling stockholder may use any one or more of the following methods when selling shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

Table of Contents

settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;

broker-dealers may agree with the selling stockholders to sell a specified number of shares at a stipulated price per share;

through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

a combination of any of these methods of sale; or

any other method permitted pursuant to applicable law.