

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

/X/ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the Period Ended March 31, 1997.

or

/ / Transition report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934 for the Transition Period From
_____ to _____.

Commission file number 0-27436

TITAN PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE

94-3171940

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

400 OYSTER POINT BLVD., SUITE 505, SOUTH SAN FRANCISCO, CALIFORNIA 94080

(Address of Principal Executive Offices including zip code)

(415) 244-4990

(Issuer's Telephone Number, Including Area Code)

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

State the number of shares outstanding of each of the issuer's common equity
as of May 9, 1997: 13,046,102 shares of Common Stock outstanding, \$.001 par
value.

Transitional Small Business Disclosure Format. Yes No X

TITAN PHARMACEUTICALS, INC.
INDEX TO FORM 10-QSB

PART I.	FINANCIAL INFORMATION	PAGE
	Item 1. Condensed Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets	
	March 31, 1997 and December 31, 1996.....	2
	Condensed Consolidated Statements of Operations	
	Three months ended March 31, 1997 and 1996 and period from commencement of operations (July 25, 1991) to March 31, 1997.....	3
	Condensed Consolidated Statements of Cash Flows	
	Three months ended March 31, 1997 and 1996 and period from commencement of operations (July 25, 1991) to March 31, 1997.....	4
	Notes to Condensed Consolidated Financial Statements - March 31, 1997.....	6
	Item 2. Management's Discussion and Analysis or Plan of Operations.....	9
PART II.	OTHER INFORMATION	

PART I. FINANCIAL INFORMATION

TITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

	MARCH 31, 1997 (Unaudited)	DECEMBER 31, 1996 (Note A)
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,365,609	\$ 1,376,532
Short-term investments	4,500,000	13,000,000
Prepaid expenses and other current assets	213,755	193,324
Receivable from Ansan Pharmaceuticals, Inc.	136,915	117,881
	-----	-----
Total current assets	8,216,279	14,687,737
Furniture and equipment, net	734,982	791,579
Deferred financing costs	84,787	96,349
Note receivable from Ansan Pharmaceuticals, Inc.	1,000,000	-
Investment in Ansan Pharmaceuticals, Inc.	310,815	590,854
Other assets	280,092	199,830
	-----	-----
	\$ 10,626,955	\$ 16,366,349
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 706,746	\$ 692,982
License fee payable	2,000,000	-
Accrued legal fees	516,946	587,800
Accrued sponsored research	92,811	163,905
Other accrued liabilities	432,017	233,044
Current portion of capital lease obligations	276,143	265,462
Current portion of technology financing - Ingenex, Inc.	591,652	570,711
	-----	-----
Total current liabilities	4,616,315	2,513,904
Noncurrent portion of capital lease obligation	408,501	481,676
Noncurrent portion of technology financing - Ingenex, Inc.	562,600	718,602
	-----	-----
Total liabilities	5,587,416	3,714,182
Commitments		
Minority interest - Series B preferred stock of Ingenex, Inc.	1,241,032	1,241,032
Guaranteed security value (Note 3)	5,500,000	-
Stockholders' Equity (net capital deficiency):		
Common stock, at amounts paid in	49,622,782	49,619,784
Additional paid-in capital	6,521,353	6,521,353
Deferred compensation	(587,160)	(630,100)
Deficit accumulated during the development stage	(57,258,468)	(44,099,902)
	-----	-----
Total stockholders' equity (net capital deficiency)	(1,701,493)	11,411,135
	-----	-----
	\$ 10,626,955	\$ 16,366,349
	-----	-----

</TABLE>

Note A: The balance sheet at December 31, 1996 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

TITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		PERIOD FROM COMMENCEMENT OF OPERATIONS (JULY 25, 1991) TO MARCH 31, 1997
	1996	1997	
<S>	<C>	<C>	<C>
Grant revenue	\$ 49,705	\$ 36,262	\$ 434,595
Costs and expenses:			
Research and development	827,898	2,174,735	29,755,128
Acquired in-process research and development	-	9,500,000	10,186,000
General and administrative	921,193	1,336,918	13,165,264
Total costs and expenses	1,749,091	13,011,653	53,106,392
Loss from operations	(1,699,386)	(12,975,391)	(52,671,797)
Other income (expense):			
Equity in loss of Ansan Pharmaceuticals, Inc.	(178,676)	(280,039)	(1,736,125)
Interest income	76,422	171,935	1,342,677
Interest expense	(1,623,129)	(75,071)	(4,238,073)
Other expense - net	(1,725,383)	(183,175)	(4,631,521)
Loss before minority interest	(3,424,769)	(13,158,566)	(57,303,318)
Minority interest in losses of subsidiaries	-	-	44,850
Net loss	\$ (3,424,769)	\$ (13,158,566)	\$ (57,258,468)
Net loss per share		\$ (1.02)	
Shares used in computation of net loss per share		12,897,703	
Pro forma net loss per share	\$ (0.89)		
Shares used in computation of pro forma net loss per share	9,916,250		

</TABLE>

See Notes to Condensed Consolidated Financial Statements

TITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		PERIOD FROM COMMENCEMENT OF OPERATIONS (JULY 25, 1991) TO MARCH 31, 1997
	1996	1997	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			

Net loss	\$ (3,424,769)	\$ (13,158,566)	\$ (57,258,468)
Adjustments to reconcile net loss to net cash used in operating activities			
Amortization and depreciation	99,024	143,210	1,206,401
Issuance of common stock to acquire technology	-	5,500,000	5,500,000
Accrued license fee to acquire technology	-	2,000,000	2,000,000
Accretion of discount on indebtedness	1,407,579	-	2,290,910
Equity in loss of Ansan Pharmaceuticals, Inc.	178,676	280,039	1,736,125
Other	-	-	(35,653)
Issuance of common stock to acquire minority interest of Theracell, Inc.	-	-	686,000
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(78,445)	(20,431)	(213,755)
Receivable from Ansan Pharmaceuticals, Inc.	(8,557)	(19,034)	(136,915)
Other assets	-	(80,262)	(285,057)
Accounts payable	72,533	13,764	940,936
Other accrued liabilities	(725,776)	57,025	1,532,190
Net cash used in operating activities	(2,479,735)	(5,284,255)	(42,037,286)

</TABLE>

See Notes to Condensed Consolidated Financial Statements

4

TITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1996	1997	PERIOD FROM COMMENCEMENT OF OPERATIONS (JULY 25, 1991) TO MARCH 31, 1997
	----- <C>	----- <C>	----- <C>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of furniture and equipment	(1,559)	(32,111)	(1,104,470)
Purchases of short-term investments	(8,856,555)	(100,000)	(59,782,493)
Proceeds from sale of short-term investments	-	8,600,000	55,282,493
Issuance of debenture to Ansan Pharmaceuticals, Inc.	-	(1,000,000)	(1,000,000)
Effect of deconsolidation of Ansan Pharmaceuticals, Inc.	-	-	(135,934)
Net cash provided by (used in) investing activities	(8,858,114)	7,467,889	(6,740,404)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	16,115,079	2,998	30,028,760
Deferred financing costs	-	-	(810,248)
Proceeds from issuance of preferred stock	-	-	17,601,443
Proceeds from notes payable and advances payable	-	-	2,681,500
Repayment of notes payable	-	-	(1,441,500)
Proceeds from Ansan bridge financing	-	-	1,425,000
Proceeds from Titan and Ingenex bridge financing	-	-	5,250,000
Repayment of Titan and Ingenex bridge financing	(5,250,000)	-	(5,250,000)
Proceeds from capital lease financing	-	-	658,206
Payments of principal under capital lease obligation	(53,370)	(62,494)	(568,798)
Proceeds from Ingenex, Inc. technology financing	-	-	2,000,000
Principal payments on Ingenex, Inc. Technology financing	(116,932)	(135,061)	(845,748)
Increase in minority interest from issuances of Preferred stock by Ingenex, Inc.	-	-	1,241,032
Issuance of common stock by subsidiaries	-	-	173,652
Net cash provided by (used in) financing activities	10,694,777	(194,557)	52,143,299

Net increase (decrease) in cash and cash equivalents	(643,072)	1,989,077	3,365,609
Cash and cash equivalents, beginning of period	947,805	1,376,532	-
	-----	-----	-----
Cash and cash equivalents, end of period	\$ 304,733	\$ 3,365,609	\$ 3,365,609
	-----	-----	-----

</TABLE>

See Notes to Condensed Consolidated Financial Statements

5

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY AND ITS SEVERAL DEVELOPMENT STAGE SUBSIDIARIES

Titan Pharmaceuticals, Inc. (the "Company") was incorporated in February 1992 in the State of Delaware. It is the holding company for several development stage biotechnology companies ("the Operating Companies"). The development stage companies, which rely significantly on third parties to conduct sponsored research, are Ansan Pharmaceuticals, Inc. ("Ansan"), Ingenex, Inc. ("Ingenex"), Theracell, Inc. ("Theracell"), ProNeura, Inc. ("ProNeura"), and Trilex Pharmaceuticals, Inc., formerly Ascalon, Inc. ("Trilex").

ANSAN PHARMACEUTICALS, INC.

Ansan was incorporated in November 1992 to engage in the development of novel treatment of cancer and other disorders characterized by abnormal cellular growth and differentiation. It was a majority-owned consolidated subsidiary until August 1995. In August 1995, Ansan completed an initial public offering of its securities. Such offering reduced the Company's ownership in Ansan from approximately 95% to approximately 43%. Since August 1995, the Company has accounted for its investment in Ansan using the equity method. In March 1997, Ansan and Titan entered into a financing agreement pursuant to which Titan was granted a three month option to reacquire and maintain a majority equity interest in Ansan (See Note 4). At March 31, 1997, the Company owned 43% of Ansan.

INGENEX, INC.

Ingenex, a majority-owned consolidated subsidiary, was incorporated in July 1991 and reincorporated in June 1992. It is engaged in the development of gene-based therapeutics and the discovery of medically important genes for the treatment of cancer and viral diseases. At March 31, 1997, the Company owned 81% of Ingenex.

THERACELL, INC.

Theracell was incorporated in November 1992 to engage in the development of novel treatments for various neurologic disorders through the transplantation of neural cells and neuron-like cells directly into the brain. At March 31, 1997, the Company owned 100% of Theracell.

PRONEURA, INC.

ProNeura was incorporated in October 1995 to engage in the development of cost effective, long term treatment solutions to neurological and psychiatric disorders through an implantable drug delivery system. At March 31, 1997, the Company owned 79% of ProNeura.

TRILEX PHARMACEUTICALS, INC.

Trilex was incorporated in May 1996 to engage in research and development of cancer therapeutic vaccines utilizing anti-idiotypic antibody technology. At March 31, 1997, the Company owned 100% of Trilex.

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31,

1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997. These

financials should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in the Titan Pharmaceuticals, Inc. annual report on Form 10-KSB for the year ended December 31, 1996.

NET LOSS PER SHARE

For purposes of computing net loss per share data in the three months ended March 31, 1996, the net loss has been increased by a \$5,431,871 deemed dividend (see Note 2). Per share data is computed using the weighted average number of common shares outstanding. Common equivalent shares are excluded from the computation as their effect is antidilutive. Pro forma loss per share has been computed for the three months ended March 31, 1996 which gives effect, pursuant to SEC policy, to common equivalent shares from convertible preferred stock issued more than 12 months from the proposed initial public offering that automatically converted upon completion of the Company's initial public offering (using the if-converted method) from the original date of issuance.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share", which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact is not expected to result in a change in primary earnings per share for the quarters ended March 31, 1997 and March 31, 1996 as the Company incurred net losses in those periods and, accordingly, the calculation of earnings per share for those periods excluded stock options as their effect was antidilutive.

2. STOCKHOLDERS' EQUITY

DEEMED DIVIDEND

The holders of Series A and Series B preferred stock received common stock in January 1996 with an aggregate fair value (at the \$5.00 per share value of the IPO) which exceeded by \$5,431,871 the cost of their initial investment in Series A and Series B preferred stock. This amount has been deemed to be the equivalent of a preferred stock dividend. The Company recorded the deemed dividend at the time of the conversion by offsetting charges and credits to additional paid in capital, without any effect on total stockholders' equity (net capital deficiency). There was no effect on net loss from the mandatory conversion. However, the amount did increase the loss applicable to common stock, in the calculation of net loss per share in the 1996 period.

3. COLLABORATIVE AGREEMENTS

HOECHST MARION ROUSSEL, INC. AGREEMENT

In January 1997, the Company entered into an exclusive license agreement the ("HMR Agreement") with Hoechst Marion Roussel, Inc. ("Hoechst"). The license agreement gives the Company a worldwide license to Hoechst's patent rights and know-how related to a chemical compound known as Iloperidone, including the ability to develop, use, sublicense, manufacture and sell products and processes claimed in the patent rights. Terms of the HMR Agreement required the Company to pay Hoechst an upfront license fee of \$9,500,000, payable as follows: (i) \$2,000,000 in cash on January 20, 1997; (ii) the issuance of \$5,500,000 of common stock (594,595 shares) on January 20, 1997; (iii) and \$2,000,000 in cash on July 18, 1997. As a result of this transaction, the Company incurred a charge for acquired in-process research and development of \$9,500,000. During the period from October 1997 through January 1999, the Company shall be obligated to pay to Hoechst the difference between \$5,500,000 and the net proceeds received by Hoechst upon sale of the above mentioned common stock. Accordingly, this amount has been recorded as guaranteed security value in the accompanying balance sheet. Any cash paid under the guarantee will be charged against this balance, and the remaining balance, if any, will be transferred to common stock. The Company's current stock price is significantly depressed, indicating a potential liability at May 6, 1997 of \$3.6 million related to the Hoechst shares. In addition, the Company is

required to make additional benchmark payments as specific milestones are met. Upon commercialization of the product, the license agreement provides that the Company will pay royalties based on net sales.

4. NOTE RECEIVABLE FROM ANSAN PHARMACEUTICALS, INC.

In March 1997, Titan and Ansan entered into an agreement for financing pursuant to which Titan advanced Ansan \$1,000,000 in return for a debenture (the "Debenture") which is convertible at any time prior to June 21, 1997 into 333,333 shares of common stock. The Debenture bears interest at prime plus 2% and is due in April 1998. In connection with the issuance of the Debenture, Ansan granted Titan an option (the "First Option") to acquire an additional 333,333 shares of Ansan common stock for an aggregate purchase price of \$1,000,000. The First Option expires on June 21, 1997.

In the event the Debenture is converted to equity, Ansan will grant Titan two additional options (respectively, the "Second Option" and the "Third Option"). The Second Option will be exercisable for two years from the date of grant to purchase up to 1,630,000 shares of Ansan common stock at an exercise price of \$3.75 per share. The Third Option will be exercisable through August 8, 2000 to purchase up to 500,000 additional shares at an exercise price of \$6.50 per share. Titan will be obligated to exercise the Second Option for the purchase of specified numbers of shares in the event Titan's outstanding Class A Warrants are exercised, provided Ansan has not completed public or private equity financings resulting in specified gross proceeds prior to the date such a purchase obligation arises.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion contains certain forward-looking statements, within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the attainment of which involves various risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking terminology such as "may," "will," "expect," "believe," "estimate," "anticipate," "continue" or similar terms, variations of those terms or the negative of those terms. The Company's actual results may differ materially from those described in these forward-looking statements due to, among other factors, the results of ongoing research and development activities and preclinical testing, the results of clinical trials and the availability of additional financing through corporate partnering arrangements or otherwise.

RESULTS OF OPERATIONS

The Company is a development stage company which currently conducts its operations in conjunction with five operating companies: Ansan, Ingenex, Theracell, ProNeura and Trilex (collectively, the "Operating Companies"). Since its inception, the Company's efforts have been principally devoted to acquiring licenses and technologies, raising capital, research and development and securing patent protection. The Company has had no significant revenue and has incurred an accumulated deficit through March 31, 1997 of approximately \$57,258,000. These losses have resulted from expenditures for research and development and general and administrative activities including legal and professional activities, and are expected to continue for the foreseeable future.

Total revenues for the three months ended March 31, 1997 ("first quarter 1997") were approximately \$36,000 and approximately \$50,000 for the three months ended March 31, 1996 ("first quarter 1996") from NIH grants.

Research and development expenses for the first quarter 1997 were approximately \$2,175,000, an increase of \$1,347,000 or 163% from the first quarter 1996. The increase reflects the addition of Trilex in the second quarter of 1996, costs related to the acquisition and development of the newly licensed antipsychotic agent known as Iloperidone, and increased sponsored research costs for Theracell. Acquired in-process research and development of \$9,500,000 in the first quarter 1997 reflects an upfront license fee under the HMR Agreement with Hoechst for exclusive worldwide rights to Iloperidone.

General and administrative expenses for the first quarter 1997 were approximately \$1,337,000 compared with \$921,000 for the first quarter 1996, an increase of 45%. The increase reflects the addition of Trilex in the second quarter of 1996.

As a result of the foregoing expenses, the Company incurred an operating loss of approximately \$12,975,000 during the first quarter 1997 compared with \$1,699,000 for the first quarter 1996. The first quarter 1997 operating loss includes a non-recurring charge of \$9,500,000 for the Iloperidone license, of which \$5,500,000 is a non-cash charge, \$2,000,000 was paid in January and \$2,000,000 will be paid in July 1997. The Company expects to continue to incur substantial research and development costs in the future as a result of funding (i) ongoing research and development programs at the Company and the Operating Companies, (ii) manufacturing of products for use in clinical trials, (iii) patent and regulatory related expenses, and (iv) preclinical and clinical testing of the products. The Company also expects that general and administrative costs necessary to support such research and development activities will increase. Accordingly, the Company expects to incur increasing operating losses for the foreseeable future.

Other income includes interest income, which was approximately \$172,000 during the first quarter 1997 as compared to \$76,000 during the first quarter 1996. The increase of \$96,000, reflects an increase in the amount of cash and short-term investments subsequent to the Company's IPO in January 1996 and a private placement completed in August 1996 (the "Private Placement"). Interest expense decreased to approximately

9

\$75,000 during the first quarter 1997 from \$1,623,000 for the first quarter 1996. Approximately \$1,408,000 of the 1996 expense reflects a non-recurring charge due to the repayment in January 1996 of notes issued in a bridge financing (the "Bridge Notes"). Approximately \$950,000 of the non-recurring charge represents the unamortized portion of the \$1,200,000 debt discount, and \$458,000 represents debt issuance costs. Excluding the non-recurring charge during the first quarter 1996, interest expense was approximately \$64,000 for the first quarter 1996 compared to \$75,000 for the first quarter 1997.

Other income for the 1997 and 1996 three months also includes approximately \$280,000 and \$179,000, respectively, of losses representing the Company's share of Ansan's losses.

LIQUIDITY AND SOURCES OF CAPITAL

On July 31 and August 2, 1996, the Company completed the Private Placement which resulted in net proceeds to the Company of approximately \$13,740,000 after payment of placement agent fees and other expenses of the Private Placement.

The Company is party to a master capital equipment lease with respect to which the Operating Companies have entered into a sublease and assignment with the Company. At March 31, 1997, the amount outstanding under the equipment lease was \$684,644 with monthly payments of \$30,459. The Company has also guaranteed the obligations of Ingenex under an assignment and sublicense agreement pursuant to which Ingenex received \$2,000,000 in financing in January 1995. Such agreement currently provides for monthly payments of \$60,060 through January 1999.

The Operating Companies have entered into various agreements with research institutions, universities, and other entities for the performance of research and development activities and for the acquisition of licenses related to those activities. The aggregate commitments the Company has under these agreements, including minimum license payments, for the next 12 months is approximately \$2,416,000. Certain of the licenses provide for the payment of royalties by the Company on future product sales, if any. In addition, in order to maintain license and other rights during product development, the Company must comply with various conditions including the payment of patent related costs and obtaining additional equity investments by specified dates.

In January 1997, the Company entered into the HMR Agreement with Hoechst, effective as of December 31, 1996, pursuant to which it acquired an exclusive worldwide license to the antipsychotic agent Iloperidone. Terms of the HMR Agreement required the Company to pay Hoechst an upfront license fee of \$9,500,000, payable as follows: (i) \$2,000,000 in cash on January 20, 1997; (ii) the issuance of \$5,500,000 of common stock (594,595 shares at \$9.25 per share) on January 20, 1997 (the "Fee Shares"); (iii) and \$2,000,000 in cash on July 18, 1997. During the period from October 1997 through January 1999, the Company shall be obligated to pay to Hoechst the difference between \$5,500,000 and the net proceeds received by Hoechst upon the sale of the Fee Shares. See Note 3 of Notes to Financial Statements. The HMR Agreement also provides for substantial future late stage milestone payments to Hoechst, as

well as royalty payments on net sales, if any.

The Company does not have the substantial funds necessary to complete the clinical development of Iloperidone and is currently pursuing several financing alternatives including corporate partnering

10

arrangements and off balance sheet financing to complete development of Iloperidone. There can be no assurance that any such financing will be available on acceptable terms, if at all. If adequate funds are not available on acceptable terms, the Company may be required to delay, scale back or possibly discontinue development of Iloperidone. Furthermore, if the Company does not fulfill its upfront license fee obligation and due diligence obligation to Hoechst, it could lose its rights under the HMR Agreement, relinquishing all payments made to such point.

In March 1997, Titan and Ansan entered into an agreement for financing pursuant to which Titan advanced Ansan \$1,000,000 in return for the debenture which is convertible at any time prior to June 21, 1997 into 333,333 shares of Ansan common stock. The Debenture bears interest at prime plus 2% and is due in April 1998. In connection with the issuance of the Debenture, Ansan granted Titan the First Option to acquire an additional 333,333 shares of Ansan common stock for an aggregate purchase price of \$1,000,000. The First Option expires on June 21, 1997.

In the event the Debenture is converted to equity, Ansan will grant to Titan two additional options. The Second Option will be exercisable for two years from the date of grant to purchase up to 1,630,000 shares of Ansan common stock at an exercise price of \$3.75 per share. The Third Option will be exercisable through August 8, 2000 to purchase up to 500,000 additional shares at an exercise price of \$6.50 per share. Titan will be obligated to exercise the Second Option for the purchase of specified numbers of shares in the event Titan's outstanding Class A Warrants are exercised, provided Ansan has not completed public or private equity financings resulting in specified gross proceeds prior to the date such a purchase obligation arises.

The Company expects to continue to incur substantial additional operating losses from costs related to continuation and expansion of research and development, clinical trials, and increased administrative and fund raising activities over at least the next several years. The Company believes that the proceeds of the Private Placement will be sufficient to continue development on priority projects and maintain the Company's rights under current licensing arrangements through approximately the end of 1997 (assuming alternative financing is obtained to fund Iloperidone and that the First Option is not exercised). The Company will be required to seek additional financing to continue its operations beyond that period. However, the Company's capital requirements may change depending on numerous factors including, but not limited to, the progress of the Company's research and development programs, the results of clinical studies, the timing of regulatory approvals, technological advances, determinations as to the commercial potential of the Company's products, and the status of competitive products. In addition, expenditures will be dependent on the establishment of collaborative relationships with other companies, the availability of financing, and other factors. In any event, the Company anticipates that it will require substantial additional financing in the future. There can be no assurance as to the availability or terms of any required additional financing, when and if needed. In the event that the Company fails to raise any funds it requires, it may be necessary for the Company to outlicense rights it would prefer to retain or significantly curtail its activities or cease operations.

11

PART II

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.24 Financing agreement between the Registrant and Ansan Pharmaceuticals, Inc. dated March 21, 1997
- 11.1 Statement of Computation of Net Loss Per Share

(b) Reports on Form 8-K

A current report on Form 8-K was filed with the Securities and

12

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TITAN PHARMACEUTICALS, INC.

May 12, 1997

By: /s/Louis R. Bucalo

*Louis R. Bucalo, M.D.,
President and Chief Executive
Officer*

May 12, 1997

By: /s/Robert E. Farrell

*Robert E. Farrell, Chief
Financial Officer*

13

AGREEMENT FOR FINANCING

THIS AGREEMENT FOR FINANCING is made and entered into as of this 21st day of March, 1997, by and between Titan Pharmaceuticals, Inc., ("Titan") and Ansan Pharmaceuticals, Inc. ("Ansan").

THE PARTIES AGREE AS FOLLOWS:

1. CONVERTIBLE DEBENTURE

Titan has advanced \$1 million to Ansan in return for a convertible debenture (the "Debenture") of even date herewith. The Debenture is convertible at the option of Titan at any time prior to June 21, 1997 for the purchase of 333,333 shares of Ansan's Common Stock, \$0.001 par value (the "Ansan Common Stock"), reflecting a conversion price of \$3.00 per share.

2. INITIAL OPTION

Ansan has granted to Titan an option of even date herewith (the "Initial Option") exercisable at any time prior to June 21, 1997 to purchase 333,333 shares of Ansan Common Stock at a purchase price of \$3.00 per share payable in cash.

3. ANCILLARY DOCUMENTS

In the event Titan converts the Debenture, Ansan and Titan shall enter into a Debenture Conversion Agreement, a First Option Agreement, a Second Option Agreement, a Shareholders Agreement, and a Corporate Services Agreement in substantially the forms attached to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ANSAN PHARMACEUTICALS, INC.

By: /s/Vaughan H.J. Shalson

Title: President and Chief Executive Officer

TITAN PHARMACEUTICALS, INC.

By: /s/Louis R. Bucalo

Title: President and Chief Executive Officer

Optionee: Titan Pharmaceuticals, Inc.

Address: 400 Oyster Point Blvd.
South San Francisco, California 94080

ANSAN PHARMACEUTICALS, INC.
INITIAL OPTION AGREEMENT

INITIAL OPTION AGREEMENT dated March 21, 1997 between Ansan Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Titan Pharmaceuticals, Inc. (the "Optionee").

1. **GRANT OF OPTION.** Pursuant to the provisions of Section 2 of the Agreement for Financing dated March 21, 1997 (the "Agreement for Financing"), the Company hereby grants to the Optionee on the date hereof the right and option to purchase Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three (333,333) of its shares of Common Stock, \$.001 par value (the "Initial Option Shares"), at an option price equal to \$3.00 per Initial Option Share (the "Initial Option").

2. **OPTION PERIOD.** The option granted hereby shall expire on June 21, 1997.

3. **EXERCISE OF OPTION.**

B. The Optionee may exercise the option hereby in whole only, at any time, from and after the date hereof, up to its expiration date.

B. The Optionee may exercise the option hereby granted by delivering to the Company a written notice duly signed by the Optionee accompanied by payment of an amount

equal to the full purchase price for the Initial Option Shares to be purchased. Within seven days after receipt by the Company of such notice and payment, the Company shall issue the Initial Option Shares in the name of the Optionee and deliver the certificates therefor to the Optionee.

C. The Optionee shall execute and deliver to the Company upon purchase of the Initial Option Shares a "lock-up" agreement in the form attached hereto as Appendix A.

4. **NON-TRANSFERABILITY OF OPTION.** This option shall not be transferable and may be exercised only by the Optionee, except that it may be transferred to and exercised by a wholly-owned subsidiary or parent of, or to any corporation or entity that is, within the meaning of the Act, controlling, controlled by or under common control with the Optionee (other than the Company); provided that such transferee assumes in writing all of the obligations of the Optionee hereunder.

5. **TAX STATUS.** The option hereby granted is a non-statutory stock option i.e., one not intended to qualify as an incentive stock option within the meaning of Section 422A of the Code.

6. **PURCHASE FOR INVESTMENT.** As a condition to the exercise of the option hereby granted, the written notice of election in the form attached hereto as Exhibit A shall include a representation by the Optionee that the Initial Option Shares are being purchased for investment and not for distribution or resale.

7. **NOTICES.** Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a confirmation copy is sent by overnight courier), or, if sent by overnight courier, one (1) day after deposit with an overnight courier, or, if mailed, three (3) days after the date of deposit in the

United States mails, as follows:

To the Optionee: Titan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 505
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 244-4956

To the Company: Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 635-0201

Either party may, by notice given in accordance with this Section to the other

party, designate another address or person for receipt of notices hereunder.

8. **GOVERNING LAW.** The parties hereto hereby acknowledge and agree that the option granted hereby is granted in the State of California and any shares issued upon exercise of the option will be issued in the State of California. This Agreement, as well as the grant of such option and issuance of such Shares, is and shall be governed by and construed in accordance with the laws of the State of California applicable to the agreements made and to be performed entirely within such state.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ANSAN PHARMACEUTICALS, INC.

By: /s/Vaughan H.J. Shalson

TITAN PHARMACEUTICALS, INC., Optionee

By: /s/Louis R. Bucalo

Exhibit A

PURCHASE FORM

(To be signed and delivered to
Ansan Pharmaceuticals, Inc. upon
exercise of the Initial Option)

The undersigned, the holder of the foregoing Initial Option, hereby irrevocably elects to exercise the Nonstatutory Option for the purchase of _____ shares of Common Stock (the "Initial Shares") of Ansan Pharmaceuticals, Inc. and herewith makes payment of \$ _____ (\$3.00 per share) therefor, plus \$ _____ (\$ _____ per share) for withholding tax, if any, required in connection with the exercise of the Nonstatutory Option, and requests that the Certificates for the Shares be issued in the name(s) of, and delivered to _____ whose address(es) is/are _____.

The undersigned represents that the Shares are being purchased for investment and not for distribution or resale.

Signature

Dated:

APPENDIX A
LOCK-UP

LOCK-UP AGREEMENT

Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435

Gentlemen:

Pursuant to Section 3.C of the Initial Option Agreement dated March , 1997 (the "Initial Option Agreement") between Ansan Pharmaceuticals, Inc. ("Ansan") and Titan Pharmaceuticals, Inc. ("Titan"), the undersigned hereby represents that:

1. For the period commencing on the date hereof and expiring on the second anniversary of the exercise date of the Initial Option (as such term is defined in the Initial Option Agreement), the undersigned will not sell, assign, or transfer any of the Initial Shares Option Shares purchased by Titan pursuant to the terms of the Initial Option Agreement without the prior written consent of Ansan, (which consent will require the approval of a majority of the non-Titan members of Ansan's Board of Directors) except as otherwise provided herein.

2. In order to enforce the foregoing covenant, Ansan may impose stop-transfer instructions with respect to such shares until the end of such period.

3. The restrictions on transfer set forth herein shall not apply to (i) any third-party acquisitions of Ansan's securities by means of a tender offer, merger or otherwise or (ii) any private sale or transfer, provided the recipient of the shares agrees to be bound by this Lock-Up Agreement.

Print Name

Date

THIS DEBENTURE HAS BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE TRANSFERRED WITHOUT THE CONSENT OF ANSAN PHARMACEUTICALS, INC., AND UNTIL (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") SHALL HAVE BECOME EFFECTIVE WITH RESPECT THERETO OR (ii) RECEIPT BY THE ISSUER OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT REGISTRATION UNDER THE ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER NOR IS IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND SHALL BE ENDORSED UPON ANY DEBENTURE ISSUED IN EXCHANGE FOR THIS DEBENTURE.

ANSAN PHARMACEUTICALS, INC.

MARCH 21, 1997

\$1,000,000

CONVERTIBLE DEBENTURE

ANSAN PHARMACEUTICALS, INC., a Delaware corporation (the "Company"), for value received, hereby promises to pay to Titan Pharmaceuticals, Inc. (the "Payee") at the offices of the Company, the principal sum of One Million Dollars (\$1,000,000) (the "Principal Amount"). Interest on the Debenture shall accrue on the Principal Amount outstanding at a rate equal to two percent above the prime rate of Citibank, N.A. in New York, New York computed on a daily basis and as adjusted as announced from time to time. Principal and interest on this Debenture shall be payable on April 30, 1998 (the "Maturity Date"), subject to the provisions of Sections 1 and 2 herein. Principal and interest on the Debenture shall be payable in (i) such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts or (ii) such securities of the Company as determined in accordance with and subject to the provisions of Section 6 hereof.

1. **INTEREST ON THE DEBENTURE.** In the event that this Debenture is converted pursuant to the provisions of section 5(A) hereof prior to the Maturity Date, the Payee hereby waives any interest due on this Debenture.

2. **PREPAYMENT.** The Principal Amount may be prepaid by the Company at any time after the expiration of the Conversion Termination Date (as defined herein), together with accrued interest, in whole or in part, without penalty.

3. **COVENANTS OF COMPANY.** The Company covenants and agrees that, so long as this Debenture shall be outstanding, it will:

(i) Promptly pay and discharge all lawful taxes, assessments, and governmental charges or levies imposed upon the Company or upon its income and profits, or upon any of its property, before the same shall become in default, as well as all lawful claims for labor, materials and supplies which, if unpaid, might become a lien or charge upon such properties or any part thereof, provided, however, that the Company shall not be required to pay and discharge any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and the Company shall set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim so contested;

(ii) Do or cause to be done all things reasonably necessary to preserve and keep in full force and effect its corporate existence, rights and franchises and comply with all laws applicable to the Company;

(iii) At all times reasonably maintain, preserve, protect and keep its property used or useful in the conduct of its business in good repair, working order and condition, and from time to time make all needed and proper repairs, renewals, replacements, betterments and improvements thereto as shall be reasonably required in the conduct of its business;

(iv) To the extent necessary for the operation of its business, keep adequately insured by financially sound reputable insurers, all property of a character usually insured by similar corporations in the Company's industry and carry such other insurance as is usually carried by similar corporations in the Company's industry;

(v) At all times keep true and correct books, records and accounts. Such books and records shall be open at reasonable times and upon reasonable notice for the inspection of Payee or its agents; and

(vi) Except for the incurrence of any indebtedness (including without limitation, the incurrence of any guarantee or contingent payment obligation with respect thereto) secured by a lien, mortgage or guarantee on the property (whether real or personal) or equipment of the Company and any refinancings or replacements thereto or trade debt or other current liabilities incurred in the ordinary course of business, nor incur any indebtedness whatsoever which indebtedness does not expressly provide that it is wholly subordinated in right of payment to the indebtedness evidenced by this Debenture.

4. **EVENTS OF DEFAULT**

A. This Debenture shall become due and payable upon written demand made by the Payee if one or more of the following events, herein called events of default, shall happen and be continuing:

(i) Default in the payment of the principal and accrued interest on this Debenture when and as the same shall become due and payable;

(ii) Default in the due observance or performance of any material covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms hereof and such default shall continue uncured for ten (10) business days after receipt of written notice thereof, specifying such default, shall have been given to the Company by the holder of the Debenture;

(iii) Application for, or consent to, the appointment of a receiver, trustee or liquidator of the Company or of its property;

(iv) Admission in writing of the Company's inability to pay its debts as

they mature;

- (v) General assignment by the Company for the benefit of creditors;
- (vi) Filing by the Company of a voluntary petition in bankruptcy or a petition or an answer seeking reorganization, or an arrangement with creditors;
- (vii) Entering against the Company of a court order approving a petition filed against it under the Federal bankruptcy laws, which order shall not have been vacated or set aside or otherwise terminated within sixty (60) days;
- (viii) Default (other than a default existing on the date of this Debenture) in the payment of any outstanding indebtedness in excess of \$125,000 principal amount or is the due observance or performance of any material covenant, condition or agreement on the part of the Company with respect to any outstanding indebtedness in excess of \$125,000 with the result that such outstanding indebtedness shall become due and payable prior to the due date otherwise specified therefor and such default shall continue uncured or such acceleration shall not be rescinded or annulled within thirty (30) days after written notice thereof to the Company from the Payee of this Debenture;
- (ix) The sale by the Company of substantiality all of its assets; or
- (x) The merger by the Company with or into another corporation, other than for purposes of changing domicile, where the Company is not the surviving corporation.

B. The Company agrees that notice of the occurrence of any event of default will be promptly given to the Payee at its registered address by certified mail.

C. In case of any one or more of the events of default specified above shall happen and be continuing, the Payee may proceed to protect and enforce its rights by suit in the specific performance of any covenant or agreement contained in this Debenture or in aid of the exercise of any power granted in this Debenture or may proceed to enforce the payment of this Debenture or to enforce any other legal or equitable rights as such holder.

5. CONVERSION OF DEBENTURE

A. At any time prior to 5:00 p.m. California time on June 20, 1997 (the "Conversion Termination Date"), the Principal Amount may be converted at the option of the Payee (the "Optional Conversion") into 333,333 shares of Common Stock (the "Optional Conversion Securities"), reflecting a conversion price of \$3.00 per share.

B. The Payee desiring to exercise its option to convert this Debenture pursuant to clause (A) hereof shall deliver this Debenture to the Company at its principal executive office, accompanied by a written request to convert, specifying the name or names in which the certificate or certificates for the Optional Conversion Securities are to be issued. The foregoing notwithstanding, no holder of this Debenture shall be entitled to transfer this Debenture by conversion without first complying with all applicable restrictions on the transfer of this Debenture. For the purposes of clause (A) hereof, the Conversion Date will be the date of delivery of this Debenture to the Company and the person entitle to receive certificates evidencing the Optional Conversion Securities shall be regarded for all corporate purposes from and after such date as the record holder of the Optional Conversion Securities to which it is entitled upon the conversion. The Optional Conversion Securities shall be delivered to the Payee within five days after the Conversion Date. The Company may rely on record ownership of this Debenture for all corporate purposes, notwithstanding any contrary notice.

C. The Company shall pay all documentary, stamp or other transactional taxes attributable to the issuance or delivery of the Optional Conversion Securities provided, however, that the Company shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name or other than that of the holder of this Debenture, and the Company shall not be required to issue or delivery any such certificate unless and until the person requesting the issue thereof shall have paid to the Company the amount of such tax or shall

have established to the Company's satisfaction that such tax has been paid.

D. The Optional Conversion Securities will upon issuance by the Company in accordance with the terms of this Debenture be validly issued, free from all taxes and liens with respect to the issuance thereof and fully paid and non-assessable.

6. RESERVATION OF SHARES

The Company covenants and agrees that, during the period within which this Debenture remains outstanding, the Company will at all times have authorized and reserved, solely for the purpose of the Optional Conversion, out of its authorized but unissued shares, a sufficient number of shares of its Common Stock to provide for such conversion.

7. NON-TRANSFERABILITY

This Debenture is non-negotiable and is not transferable without the prior written consent of the Company.

8. MISCELLANEOUS

A. The Company may consider and treat the person in whose name this Debenture shall be registered as the absolute owner thereof for all purposes whatsoever (whether or not this Debenture shall be overdue) and the Company shall not be affected by any notice to the contrary. In case of transfer by operation of law, the transferee agrees to notify the Company of such transfer and of his address, and to submit appropriate evidence regarding the transfer so that this Debenture may be registered in the name of the transferee. This Debenture is transferable only on the books of the Company by the holder hereof, in person or by attorney, on the surrender hereof, duly endorsed. Communications sent to any registered owner shall be effective as against all holders or transferees of the Debenture not registered at the time of sending the communication.

B. Payment of the Principal Amount, together with accrued interest thereon, shall be made to the registered owner of this Debenture upon presentation of this Debenture upon or after the Maturity Date, unless previously converted in accordance with the provisions of Section 4 herein.

C. This Debenture shall be construed and enforced in accordance with the laws of the State of Delaware.

D. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a confirmation copy is sent by overnight courier), or, if sent by overnight courier, one (1) day after deposit with an overnight courier, or, if mailed, three (3) days after the date of deposit in the United States mails, as follows:

To Titan: Titan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 505
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 244-4956

To Ansan: Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, CA 94080
Attention: President
Telecopy No.: (415) 635-0201

Either party may, by notice given in accordance with this Section to the other party, designate another address or person for receipt of notices hereunder.

IN WITNESS WHEREOF, the Company has caused this Debenture to be signed

in its name by an authorized officer.

ANSAN PHARMACEUTICALS, INC.

By: /s/ Vaughan Shalson
Vaughan Shalson
President and Chief Executive Officer

DEBENTURE CONVERSION AGREEMENT

DEBENTURE CONVERSION AGREEMENT ("Agreement"), dated as of June __, 1997 (the "Initial Closing"), by and between Titan Pharmaceuticals, Inc., a Delaware corporation (the "Company") and Ansan Pharmaceuticals, Inc., a Delaware corporation ("Ansan").

The Company and Ansan are parties to an agreement for financing (the "Agreement for Financing") and a convertible debenture (the "Debenture") both dated March __, 1997.

In consideration of the premises and the mutually dependent covenants and agreements herein contained, and of other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEBENTURE CONVERSION; GRANT OF OPTIONS

1.1 TERMS OF INITIAL SHARE PURCHASE. At the Initial Closing, subject to the terms and conditions of the Agreement for Financing and the Debenture and in reliance upon the representations, warranties and agreements contained herein, the Company will purchase from Ansan 333,333 shares (the "Initial Shares") of Ansan's Common Stock, \$.001 par value (the "Ansan Common Stock") for an aggregate purchase price of \$1,000,000 or \$3.00 per share. The Company shall execute and deliver to Ansan at the Initial Closing a "lock-up" agreement with respect to the Initial Shares in the form attached hereto as Appendix A.

1.2 TERMS OF FIRST OPTION GRANT. At the Initial Closing, Ansan shall grant to Titan an option in the form attached hereto as Appendix B (the "First Option"), exercisable for the two-year period commencing on the date of the Initial Closing, to purchase up to 1,630,000 shares of Ansan Common Stock (the "First Option Shares") for a purchase price of \$3.75 per share. The Company's right to exercise the First Option may be suspended by Ansan during any period (not to exceed 90 days) in which Ansan is negotiating, or is under contract for, a third-party acquisition of Ansan.

1.2(a) MANDATORY EXERCISE OF FIRST OPTION. The Company shall, within 30 days after the receipt of at least \$20,000,000 in aggregate gross proceeds from the exercise of the Company's outstanding Class A Warrants (the "Titan Warrants"), exercise the First Option for the purchase of not less than 545,000 of the First Option Shares (inclusive of First Option Shares previously purchased). The Company shall, within 180 days after the receipt of at least \$35,000,000 in aggregate gross proceeds from the exercise of the Titan Warrants, exercise the First Option for the purchase of not less than 1,090,000 of the First Option Shares (inclusive of First Option Shares previously purchased). The Company shall, within 270 days after the receipt of at least \$35,000,000 in aggregate gross proceeds from the exercise of the Titan Warrants, exercise the First Option for all of the First Option Shares (inclusive of First Option Shares previously purchased). The Company shall execute and deliver to Ansan upon each purchase of First Option Shares pursuant to this Section 1.2 a "lock-up" agreement in the form attached hereto as

Appendix A.

1.2(b) REDUCTION IN MANDATORY EXERCISE OBLIGATION. Under the terms of the Agreement for Financing, Ansan granted to the Company the Initial Option to purchase 333,333 shares of Ansan Common Stock prior to June __, 1997.

Notwithstanding anything to the contrary contained in Section

1.2(a), the Company's obligations to exercise the First Option shall be modified according to whether or not they exercised the Initial Option, as follows:

- i) In the event that the Company has exercised the Initial Option, if Ansan completes any public or private equity financings for an aggregate amount in excess of \$1,000,000 prior to the date a stock purchase obligation of the Company under this Debenture Conversion Agreement arises, then the Company shall be under no obligation to exercise the First Option;
- ii) In the event that the Company has not exercised the Initial Option, if Ansan completes any public or private equity financings for an aggregate amount in excess of \$2,000,000 prior to the date a stock purchase obligation of the Company under this Debenture Conversion Agreement arises, then the Company shall be under no obligation to exercise the First Option.

1.3. **TERMS OF SECOND OPTION GRANT.** At the Initial Closing, Ansan shall grant to Titan an option in the form attached hereto as Appendix C (the "Second Option"), exercisable at any time until August 8, 2000, to purchase up to 500,000 shares of Ansan Common Stock (the "Second Option Shares") for a purchase price of \$6.50 per share. The expiration date of the Second Option will be extended if, and to the same extent as, Ansan extends the expiration date of its outstanding Class A Warrants. The Company's right to exercise the Second Option may be suspended by Ansan during any period (not to exceed 90 days) in which Ansan is negotiating, or is under contract for, a third-party acquisition of Ansan.

SECTION 2. CLOSING, PAYMENT AND DELIVERY

2.1 **INITIAL CLOSING DATE AND PLACE OF CLOSING.** The Initial Closing shall be held as soon as practicable, and in no event later than the fifth business day, following the execution of this Agreement on such date as the parties may agree to and shall be held at the offices of Ansan or such other place as the parties may agree to.

2.2 **INITIAL PAYMENT AND DELIVERY.** The Initial Purchase Price shall be payable as follows: at the Initial Closing, the Company will pay or cause to be paid to Ansan by certified or bank check or by wire funds transfer \$1,000,000. Ansan shall deliver at the Initial Closing certificates, registered in such name or names as the Company may designate at least 24 hours prior to the Initial Closing Date, representing the Initial Shares so purchased.

2.3 **COVENANT OF REASONABLE BEST EFFORTS AND GOOD FAITH.** Ansan and the Company agree to use their respective reasonable best efforts and to act in good faith to cause to occur all conditions to closing the transactions contemplated by this Agreement which are in their respective control.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF ANSAN

Ansan represents and warrants to the Company that:

3.1 **CORPORATE POWER QUALIFICATION AND STANDING.** Ansan is validly existing and in good standing under the laws of its jurisdiction of incorporation and is qualified to transact business in each jurisdiction in which its ownership of property or conduct of activities requires such qualification, except where the failure to so qualify would not materially adversely affect the operations of Ansan. Ansan has all requisite corporate power and authority to enter into and to carry out and perform its obligations under this Agreement.

3.2 **SEC REPORTS; FINANCIAL STATEMENTS.** The Ansan Common Stock and Ansan's Class A and Class B Warrants are registered under Section 12(b) or (g) of the Securities Exchange Act of 1934. The Company has received Ansan's Annual Report on Form 10-KSB for its fiscal year ended December 31, 1995 and its quarterly reports on Form 10-QSB and definitive proxy statement filed with the SEC since the filing of such Form 10-KSB (collectively, the "SEC Reports"). The SEC Reports did not (as of their respective dates) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the

circumstances under which they were made, not misleading. The audited and unaudited financial statements of Ansan included in the SEC Reports (the "Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as stated in such Financial Statements or the notes thereto) and fairly present the financial position of Ansan and its consolidated subsidiaries as of the dates thereof and the results of their operations and changes in financial position for the periods then ended.

3.3 **AUTHORIZATION; NO CONFLICT.** Execution and delivery of this Agreement, issuance and sale of the Initial Shares and the issuance of the First Option and Second Option have been duly authorized and the Initial Shares, when issued and paid for at the Initial Closing, will be validly issued, fully paid and non-assessable. Performance by Ansan of its obligations under this Agreement will not conflict with or violate (i) the charter documents or bylaws of Ansan, (ii) any indenture, loan agreement, lease, mortgage or other material agreement binding on Ansan, (iii) any order of a court or administrative agency binding on Ansan, or (iv) any applicable law or governmental regulation; except in each case for any such conflicts or violations which would not have a material adverse affect on Ansan; and such performance does not and will not require the permission or approval of any governmental agency, and will not result in the imposition or creation of any lien or charge against any assets of Ansan.

3.4 **MATERIAL AGREEMENTS; NO DEFAULTS.** No material default on the part of Ansan (including any event which, with notice or the passage of time, would constitute a default) exists under any material indenture, loan agreement, lease, mortgage or other material agreement to which Ansan is a party (the "Material Agreements")

3.5 **MATERIAL LIABILITIES.** Except for liabilities or obligations disclosed in or contemplated by the Financial Statements or the SEC Reports, and obligations under the Material Agreements, Ansan has no material liabilities or obligations other than liabilities arising in the ordinary course of business, subsequent to the date of the most recent Financial Statements or SEC Reports.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Ansan that:

4.1 **CORPORATE POWER AND AUTHORITY.** The Company is validly existing and in good standing with all requisite power and authority to enter into this Agreement and carry out its obligations hereunder and has taken all actions necessary to authorize it to enter into this Agreement and carry out such obligations.

4.2 **INVESTMENT.** The Company is acquiring the Initial Shares and will acquire the First Option Shares and the Second Option Shares for its own account for investment and not with the view to, or for resale in connection with, any distribution thereof. The Company has no present intention to sell the Initial Shares, the First Option Shares or the Second Option Shares and has no arrangement to sell such shares to or through any person or entity. The Company understands that the Initial Shares, the First Option, The Second Option, the First Option Shares or the Second Option Shares have not been registered under the Securities Act of 1933, as amended (the "Act") nor qualified under any State blue sky law by reason of specified exemptions therefrom which depend upon, among other things, the bona fide nature of its investment intent as expressed herein.

4.3 **NO CONFLICT.** Performance by the Company under this Agreement will not conflict with or violate (i) the Company's certificate of incorporation or by-laws, (ii) any indenture, loan agreement, lease, mortgage or other material agreement binding on the Company, (iii) any order of a court or administrative agency binding on the Company, or (iv) any applicable law or governmental regulation; and such performance does not and will not require the permission or approval of any governmental agency.

4.4 **RULE 144.** The Company acknowledges that the Initial Shares must be held indefinitely unless they are subsequently registered under the Act or an exemption from such registration is available. The Company is aware of the provisions of Rule 144 promulgated under the Act and that the Initial Shares,

the First Option, the Second Option, the First Option

Shares and the Second Option Shares are "restricted" securities under Rule 144. The Company acknowledges that Ansan is under no obligation to effect the registration of the Initial Shares.

SECTION 5. CONDITIONS TO OBLIGATIONS OF THE COMPANY

The obligation of the Company to purchase the Initial Shares is subject to the fulfillment on or prior to the Initial Closing of each of the following conditions:

5.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of Ansan shall be true and correct in all material respects on the date of the Initial Closing.

5.2 PERFORMANCE. All covenants, agreements and conditions contained in this Agreement to be performed or complied with by Ansan on or prior to the Initial Closing shall have been performed or complied with in all material respects.

5.3 OPINION OF ANSAN'S COUNSEL. The Company shall have received from counsel to Ansan an opinion confirming the representations set forth in the first sentence of Section 3.3 hereof, and on the basis of such counsel's review of the Material Agreements and certificates of officers of Ansan as to factual matters, confirming the representations set forth in the second sentence of Section 3.3 hereof.

5.4 PROCEEDINGS AND DOCUMENTS. All corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incident to such transactions shall be satisfactory in form and substance to the Company and its counsel.

5.5 ANCILLARY AGREEMENTS. Ansan shall have executed a Shareholders Agreement and a Corporate Services Agreement with the Company substantially in the forms attached hereto as Appendix D and E, respectively.

SECTION 6. CONDITIONS TO OBLIGATIONS OF ANSAN

Ansan's obligation to sell the Initial Shares is subject to the fulfillment on or prior to the Initial Closing of each of the following conditions:

6.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Company shall be true and correct in all material respects on the date of the Initial Closing.

6.2 LEGAL ISSUANCE. At the time of the Initial Closing, the issuance and purchase of the Initial Shares shall be legally permitted by all laws and regulations to which the Company and Ansan are subject.

6.3 PAYMENT. Ansan shall concurrently receive payment for the Initial Shares as provided in Section 2 hereof.

SECTION 7. LEGEND ON SECURITIES

Each certificate representing the Initial Shares, the First Option Shares and the Second Option Shares (collectively, the "Shares") shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under any applicable state securities laws and the legend set forth in the Lock-Up Agreement):

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

Upon request of a holder of Shares, Ansan shall remove the foregoing legend or issue to such holder a new certificate therefor free of any such legend, if Ansan shall have received either an opinion of counsel or a "no-action" letter of the SEC, in either case reasonably satisfactory in substance to Ansan and its counsel, to the effect that such legend is no longer required.

SECTION 8. NOTICES

All notices and other communications hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and shall be deemed given on the date on which such notice is received:

To the Company: Titan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 505
South San Francisco, CA 94080
Attn: President
Telecopy No. (415) 244-4956

To Ansan: Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, CA 94080
Attn: President
Telecopy No. (415) 635-0201

Either party may by notice given in accordance with this section to the other party designate another address or person for receipt of notices hereunder.

SECTION 9. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

SECTION 10. HEADINGS

The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 11. AMENDMENTS

This Agreement may not be modified or amended except by an agreement in writing signed by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

TITAN PHARMACEUTICALS, INC.

ANSAN PHARMACEUTICALS, INC.

By: _____
Louis R. Bucalo, M.D., President

By: _____
Vaughan Shalson, President

APPENDIX A
LOCK-UP

LOCK-UP AGREEMENT

Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, CA 94080

Gentlemen:

Pursuant to Sections 1.1 and 1.2(a) of the Debenture Conversion Agreement dated June , 1997 (the "Debenture Conversion Agreement") between Ansan Pharmaceuticals, Inc. ("Ansan") and Titan Pharmaceuticals, Inc. ("Titan"), the undersigned hereby represents that:

1. For the period commencing on the date hereof and expiring on the second anniversary of the [Initial Closing] [exercise date of the First Option] (as such term is defined in the Debenture Conversion Agreement), the undersigned will not sell, assign, or transfer any of [the Initial Shares][the First Option Shares] purchased by Titan pursuant to the terms of the Debenture Conversion Agreement without the prior written consent of Ansan, (which consent will require the approval of a majority of the non-Titan members of Ansan's Board of Directors) except as otherwise provided herein.

2. In order to enforce the foregoing covenant, Ansan may impose stop-transfer instructions with respect to such shares until the end of such period.

3. The restrictions on transfer set forth herein shall not apply to (i) any third-party acquisitions of Ansan's securities by means of a tender offer, merger or otherwise or (ii) any private sale or transfer, provided the recipient of the shares agrees to be bound by this Lock-Up Agreement.

Print Name

Date

APPENDIX B
FIRST OPTION AGREEMENT

Optionee: Titan Pharmaceuticals, Inc.

Address: 400 Oyster Point Blvd.
South San Francisco, California 94080

ANSAN PHARMACEUTICALS, INC.

FIRST OPTION AGREEMENT

FIRST OPTION AGREEMENT dated June , 1997 between Ansan Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Titan Pharmaceuticals, Inc. (the "Optionee").

1. GRANT OF OPTION. Pursuant to the provisions of Section 1.2 of the Debenture Conversion Agreement dated March , 1997 (the "Debenture Conversion Agreement"), the Company hereby grants to the Optionee on the date hereof the right and option to purchase an aggregate of One Million Six Hundred Thirty Thousand (1,630,000) of its shares of Common Stock, \$.001 par value (the "First Option Shares"), at an option price equal to \$3.75 per First Option Share.

2. OPTION PERIOD. The option granted hereby shall expire on the second anniversary of the date hereof.

3. EXERCISE OF OPTION.

A. The Optionee may exercise the option hereby, in whole or in part, from and after the date hereof, subject to the Company's right, in accordance with Section 1.2 of the Debenture Conversion Agreement, to suspend exercise for a period not to exceed 90 days.

B. The Optionee shall be obligated to exercise the option hereby granted as provided in Sections 1.2(a) and 1.2(b) of the Debenture

Conversion Agreement.

C. The Optionee may exercise the option hereby granted by delivering to the Company a written notice duly signed by the Optionee accompanied by payment of an amount equal to the full purchase price for the First Option Shares to be purchased. Within seven days after receipt by the Company of such notice and payment, the Company shall issue the First Option Shares in the name of the Optionee and deliver the certificates therefor to the Optionee.

4. NON-TRANSFERABILITY OF OPTION. This option shall not be transferable and may be exercised only by the Optionee, except that it may be transferred to and exercised by a wholly-owned subsidiary or parent of, or to any corporation or entity that is, within the meaning of the Act, controlling, controlled by or under common control with the Optionee (other than the Company); provided that such transferee assumes in writing all of the obligations of the Optionee hereunder.

5. TAX STATUS. The option hereby granted is a non-statutory stock option i.e., one not intended to qualify as an incentive stock option within the meaning of Section 422A of the Code.

6. PURCHASE FOR INVESTMENT. As a condition to the exercise of the option hereby granted, the written notice of election in the form attached hereto as Exhibit A shall include a representation by the Optionee that the First Option Shares are being purchased for investment and not for distribution or resale.

7. NOTICES. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a

2

confirmation copy is sent by overnight courier), or, if sent by overnight courier, one (1) day after deposit with an overnight courier, or, if mailed, three (3) days after the date of deposit in the United States mails, as follows:

To the Optionee: Titan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 505
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 244-4956

To the Company: Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 635-0201

Either party may, by notice given in accordance with this Section to the other party, designate another address or person for receipt of notices hereunder.

8. GOVERNING LAW. The parties hereto hereby acknowledge and agree that the option granted hereby is granted in the State of California and any shares issued upon exercise of the option will be issued in the State of California. This Agreement, as well as the grant of such option and issuance of such Shares, is and shall be governed by and construed in accordance with the laws of the State of California applicable to the agreements made and to be performed entirely within such state.

3

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ANSAN PHARMACEUTICALS, INC.

By: _____

TITAN PHARMACEUTICALS, INC., Optionee

By: _____

4

Exhibit A

PURCHASE FORM

(To be signed and delivered to
Ansan Pharmaceuticals, Inc. upon
exercise of the First Option)

The undersigned, the holder of the foregoing First Option, hereby irrevocably elects to exercise the Nonstatutory Option for the purchase of _____ shares of Common Stock ("Shares") of Ansan Pharmaceuticals, Inc. and herewith makes payment of \$ _____ (\$3.75 per share) therefor, plus \$ _____ (\$ _____ per share) for withholding tax, if any, required in connection with the exercise of the Nonstatutory Option, and requests that the Certificates for the Shares be issued in the name(s) of, and delivered to _____ whose address(es) is/are _____.

The undersigned represents that the Shares are being purchased for investment and not for distribution or resale.

Signature

Dated:

APPENDIX C
SECOND OPTION AGREEMENT

Optionee: Titan Pharmaceuticals, Inc.

Address: 400 Oyster Point Blvd.
South San Francisco, California 94080

ANSAN PHARMACEUTICALS, INC.

SECOND OPTION AGREEMENT

SECOND OPTION AGREEMENT dated June _____, 1997 between Ansan Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Titan Pharmaceuticals, Inc. (the "Optionee").

1. GRANT OF OPTION. Pursuant to the provisions of Section 1.3 of the Debenture Conversion Agreement dated March _____, 1997 (the "Debenture Conversion Agreement"), the Company hereby grants to the Optionee on the date

hereof the right and option to purchase an aggregate of Five Hundred Thousand (500,000) of its shares of Common Stock, \$.001 par value (the "Second Option Shares"), at an option price equal to \$6.50 per Second Option Share.

2. **OPTION PERIOD.** The option granted hereby shall expire on August 8, 2000 unless extended pursuant to the provisions of Section 1.3 of the Debenture Conversion Agreement.

3. **EXERCISE OF OPTION.**

A. The Optionee may exercise the option hereby, in whole or in part, from and after the date hereof, subject to the Company's right, in accordance with Section 1.3 of the Debenture Conversion Agreement, to suspend exercise for a period not to exceed 90 days.

B. The Optionee may exercise the option hereby granted by delivering to the Company a written notice duly signed by the Optionee accompanied by payment of an amount equal to the full purchase price for the Second Option Shares to be purchased. Within seven days after receipt by the Company of such notice and payment, the Company shall issue the Second Option Shares in the name of the Optionee and deliver the certificates therefor to the Optionee.

4. **NON-TRANSFERABILITY OF OPTION.** This option shall not be transferable and may be exercised only by the Optionee, except that it may be transferred to and exercised by a wholly-owned subsidiary or parent of, or to any corporation or entity that is, within the meaning of the Act, controlling, controlled by or under common control with the Optionee (other than the Company); provided that such transferee assumes in writing all of the obligations of the Optionee hereunder.

5. **TAX STATUS.** The option hereby granted is a non-statutory stock option i.e., one not intended to qualify as an incentive stock option within the meaning of Section 422A of the Code.

6. **PURCHASE FOR INVESTMENT.** As a condition to the exercise of the option hereby granted, the written notice of election in the form attached hereto as Exhibit A shall include a representation by the Optionee that the Second Option Shares are being purchased for investment and not for distribution or resale.

7. **NOTICES.** Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a

2

confirmation copy is sent by overnight courier), or, if sent by overnight courier, one (1) day after deposit with an overnight courier, or, if mailed, three (3) days after the date of deposit in the United States mails, as follows:

To the Optionee: Titan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 505
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 244-4956

To the Company: Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 635-0201

Either party may, by notice given in accordance with this Section to the other party, designate another address or person for receipt of notices hereunder.

8. **GOVERNING LAW.** The parties hereto hereby acknowledge and agree that the option granted hereby is granted in the State of California and any

shares issued upon exercise of the option will be issued in the State of California. This Agreement, as well as the grant of such option and issuance of such Shares, is and shall be governed by and construed in accordance with the laws of the State of California applicable to the agreements made and to be performed entirely within such state.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ANSAN PHARMACEUTICALS, INC.

3

By: _____

TITAN PHARMACEUTICALS, INC., Optionee

By: _____

4

Exhibit A

PURCHASE FORM

(To be signed and delivered to
Ansan Pharmaceuticals, Inc. upon
exercise of the Second Option)

The undersigned, the holder of the foregoing Second Option, hereby irrevocably elects to exercise the Nonstatutory Option for the purchase of _____ shares of Common Stock ("Shares") of Ansan Pharmaceuticals, Inc. and herewith makes payment of \$ _____ (\$6.50 per share) therefor, plus \$ _____ (\$ _____ per share) for withholding tax, if any, required in connection with the exercise of the Nonstatutory Option, and requests that the Certificates for the Shares be issued in the name(s) of, and delivered to _____ whose address(es) is/are _____.

The undersigned represents that the Shares are being purchased for investment and not for distribution or resale.

Signature

Dated:

APPENDIX D
SHAREHOLDER'S AGREEMENT

SHAREHOLDER'S AGREEMENT

SHAREHOLDER'S AGREEMENT ("Agreement"), dated as of June __, 1997, by

and between Titan Pharmaceuticals, Inc., a Delaware corporation ("Titan") and Ansan Pharmaceuticals, Inc., a Delaware corporation ("Ansan").

R E C I T A L S:

WHEREAS, Titan currently owns approximately 44% of the issued and outstanding capital stock of Ansan;

WHEREAS, Titan and Ansan have entered into a Debenture Conversion Agreement of even date herewith (the " Debenture Conversion Agreement") pursuant to which Titan will provide certain financing to Ansan, a portion of which will be contingent upon the exercise of Titan's outstanding Class A Warrants;

WHEREAS, the parties agree that as a condition to such financing, Titan and Ansan must provide for certain protections for Titan's equity interest in Ansan.

NOW, THEREFORE, in consideration of the premises and the mutually dependent covenants and agreements herein contained, and of other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. RIGHT TO PURCHASE SHARES

Subject to the terms and conditions specified in this Agreement, Ansan hereby grants to Titan a right to purchase Shares (as hereinafter defined) of Ansan in connection with future issuances by Ansan of its Shares. Each time Ansan proposes to offer (an "Offer") any shares of, or securities convertible into or exchangeable for any shares of, any class of its capital stock ("Shares"), Ansan shall offer Shares to Titan in accordance with the following provisions:

(a) Ansan shall deliver a notice by hand delivery or certified mail ("Notice") to Titan stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms, if any upon which it proposes to offer such Shares.

(b) By written notification received by Ansan, within twenty (20) business days after receipt of the Notice, Titan may elect to purchase or obtain, at the price and on the terms specified in the Notice (or, in the event of a Transaction Issuance, as defined below, at Fair Market Value, as defined below), up to that portion of such Shares as is necessary to preserve Titan's Equity Interest in Ansan (calculated as hereinafter set forth) in Ansan at greater than fifty percent (50%) (the "Majority Interest"). Titan's Equity Interest shall be a fraction the numerator of which shall be the number of shares of Common Stock of Ansan held by the Company, and the denominator of which shall be the total number of shares of Ansan Common Stock

outstanding plus the total number of shares of Ansan Common Stock issuable upon exercise of all outstanding securities convertible into or exercisable for shares of Ansan Common Stock without payment of any additional consideration. Notwithstanding the foregoing, subject to the termination provisions contained in Section 6, if Ansan delivers a Notice at any time after Titan has failed to exercise its right to maintain the Majority Interest, Titan may elect to purchase or obtain, at the price and on the terms specified in the Notice, one half of the Shares proposed to be sold in the Notice.

(c) If all Shares referred to in the Notice which Titan is entitled to purchase pursuant to Section 1(b) are not elected to be purchased as provided in Section 1(b) hereof, Ansan may, during the ninety (90) day period following expiration of the period provided in Section 1(b) hereof, offer the same number of Shares offered to Titan to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the Notice. In the event of any change in the number of Shares offered, or in the price or other material terms of any Offer, Ansan shall provide a new notice to Titan and the same procedures with respect to such revised Offer shall be followed. If Ansan does not enter into an agreement for the sale of the Shares within the specified period, or if such agreement is not consummated within one hundred eighty (180) days following the expiration of the period provided in Section 1(b) hereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to Titan in

accordance herewith.

(d) In the event of a proposed offer or issuance by Ansan of any Shares in connection with a bona fide research, licensing, or corporate collaboration or partnership, or in connection with an equipment lease financing (a "Transaction Issuance"), Ansan shall offer Titan the right to purchase such number of Shares as is necessary to preserve the Majority Interest, at a purchase price equal to the fair market value of Ansan's Common Stock (the "Fair Market Value") on the date of the Transaction Issuance, Fair Market Value shall mean the average of the closing bid and asked prices on the Nasdaq SmallCap Market (or the average of the last sale prices on the Nasdaq National Market or a national securities exchange) of Ansan's Common Stock for the ten (10) business days immediately preceding the date of the Transaction Issuance. In the event of a Transaction Issuance, the same procedures set forth in Sections 1(a) and (b) hereof shall be followed.

(e) If on any date (the "Trigger Date"), Titan's Equity Interest falls below the Majority Interest either because of its failure to exercise its rights under this Agreement or its failure to maintain the Majority Interest through open market stock purchases, Titan shall have the option, exercisable one time only for a period of ninety (90) days from the Trigger Date, to purchase from Ansan such number of shares of Common Stock at the then Fair Market Value as will enable Titan to reestablish the Majority Interest.

(f) The right to purchase Shares pursuant to this Section 1 shall not be applicable to Shares issuable or issued to employees, advisors, consultants or outside directors of Ansan pursuant to a stock option plan, stock purchase plan or other employee benefit plan approved by

2

the Board of Directors and stockholders of Ansan.

(g) The rights set forth in this Section 1 may not be assigned or transferred without the prior written consent of Ansan, except that such rights are assignable by Titan to a wholly-owned subsidiary or parent of, or to any corporation or entity that is, within the meaning of the Securities Act of 1933, as amended, (the "Act") controlling, controlled by or under common control with Titan.

(h) In consideration of the rights granted to Titan pursuant to this Section 1, Titan hereby agrees that until this Agreement is terminated, it will not, either directly or indirectly (including by acting in concert with any other party) allow its Equity Interest in Ansan to exceed 70%. In the event Titan's Equity Interest in Ansan shall exceed 70% at any time (other than as a result of (i) a stock repurchase or any other action by Ansan or (ii) any purchase of equity securities of Ansan by Titan pursuant to the terms of the Purchase Agreement), Titan shall promptly inform Ansan and, upon the request of Ansan or the Independent Directors (as defined below), promptly sell or cause to be sold those Shares constituting such excess.

SECTION 2. GOING PRIVATE TRANSACTION

(a) Titan agrees that neither Titan nor any of its Affiliates (provided, that for the purposes of this Section 2(a), Ansan shall not be deemed to be an Affiliate of Titan) will sponsor, support or participate in, directly or indirectly, any transaction which is subject to or required to be disclosed on Schedule 13E-3 and the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), related thereto, unless such transaction has first been approved by a vote of the majority of the Independent Directors (as defined herein) following their receipt of an opinion from a nationally recognized and independent investment banking firm, that the subject transaction is fair, from a financial point of view, to the stockholders of Ansan other than Titan.

(b) Notwithstanding Subsection 2(a) hereof, in the event that Titan proposes a "Rule 13E-3 transaction" as defined in Rule 13E-3 promulgated under the Exchange Act, Titan hereby agrees that it will comply with all of the requisite requirements of such Rule.

SECTION 3. VOTING AGREEMENT

(a) The parties agree that the number of members of the Board of Directors of Ansan shall be fixed at seven in accordance with the By-Laws of Ansan. The parties agree that the Board of Directors of Ansan shall include (i) no more than four (4) directors designated by Titan and (ii) three (3) directors who are not affiliated with Titan (the "Independent Directors") and have been designated by the members of the Board of Directors of Ansan then in office, which members may change from time to time. The parties further agree that the Board of Directors shall maintain a Nominating Committee consisting of four (4) people, no more than two (2) of whom shall be designated by Titan.

3

(b) Titan agrees not to take any action to amend the Certificate of Incorporation of Ansan unless such amendment is first approved by a majority of the Board of Directors of Ansan and a majority of the Independent Directors.

(c) Titan agrees to cause its Shares to be voted in favor of the current Independent Directors at the annual meeting of shareholders held by Ansan during 1997.

SECTION 4. TRANSACTIONS WITH TITAN AND ITS AFFILIATES

Titan agrees that it will not, and will use its best efforts to cause its Affiliates not to, enter into or be a party to any transaction with Ansan without the prior approval of a majority of the Independent Directors and that such transaction shall have fair and reasonable terms which are no less favorable to Ansan than Ansan would obtain in a comparable arm's-length transaction with an unaffiliated party. For purposes of this Agreement, "Affiliate" shall mean any person controlling, controlled by or under direct or indirect common control with Titan Pharmaceuticals, Inc., the term "control" meaning the power to direct the management and policies.

SECTION 5. REMEDY FOR BREACH

The parties hereby acknowledge that in the event of any breach of Sections 1, 2, 3 and 4 of this Agreement, the non-breaching party would have no adequate remedy at law and could suffer substantial and irreparable damages. Accordingly, the parties agree that, in such event, the non-breaching party shall be entitled, without the necessity of proving damages or posting bond, and notwithstanding any election by the non-breaching party to claim damages, to obtain a temporary and/or permanent injunction (without providing a breach therefor) to restrain any such provision, all without prejudice to any and all other remedies which the non-breaching party may have at law or equity.

SECTION 6. TERM

The term of this Agreement shall commence upon the closing of the Debenture Conversion Agreement and shall continue indefinitely unless terminated by mutual consent of the parties hereto; provided, however, that this Agreement shall terminate at such time as Titan's Equity Interest is less than 33% for a period of not less than ninety (90) consecutive calendar days.

SECTION 7. LEGEND ON SECURITIES

Each certificate representing the Shares shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under any applicable state securities laws):

4

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

Upon request of a holder of Shares, Ansan shall remove the foregoing legend or issue to such holder a new certificate therefor free of any such legend, if Ansan shall have received either an opinion of counsel or a

"no-action" letter of the SEC, in either case reasonably satisfactory in substance to Ansan and its counsel, to the effect that such legend is no longer required.

SECTION 8. COMPLETE AGREEMENT; CONSTRUCTION

This Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter.

SECTION 9. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of laws thereof.

SECTION 10. NOTICES

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a confirmation copy is sent by overnight courier), or, if sent by overnight courier, one (1) day after deposit with an overnight courier, or, if mailed, three (3) days after the date of deposit in the United States mails, as follows:

To Titan: Titan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 505
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 244-4956

5

To Ansan: Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 635-0201

Either party may, by notice given in accordance with this Section to the other party, designate another address or person for receipt of notices hereunder.

SECTION 11. SHARE OWNERSHIP

For purposes of this Agreement, Titan shall be deemed to own, and Titan's Equity Interest shall include, all Ansan Shares owned beneficially, directly and indirectly, by Titan, its wholly-owned subsidiaries, parent and any corporation or entity that is, within the meaning of the Act, controlling, controlled by or under common control with Titan.

SECTION 12. HEADINGS

The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 13. AMENDMENTS

This Agreement may not be modified or amended except by an agreement in writing signed by the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

TITAN PHARMACEUTICALS, INC.

By: _____
Louis R. Bucalo, M.D., President

ANSAN PHARMACEUTICALS, INC.

By: _____
Vaughan Shalson, President

6

APPENDIX E
CORPORATE SERVICES AGREEMENT

CORPORATE SERVICES AGREEMENT

CORPORATE SERVICES AGREEMENT (this "Agreement"), dated as of June , 1997, by and between Titan Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Ansan Pharmaceuticals, Inc., a Delaware corporation ("Ansan").

WHEREAS, prior to the execution hereof, the Company provided certain managerial, administrative and financial services to Ansan, including, among other things, financial and treasury functions, tax services, administration of employee benefit plans and human resources (as more fully described in Section 1(a) hereof, the "Services"); and

WHEREAS, to facilitate the Company's and Ansan's separate ongoing businesses and to reduce unnecessary additional overhead and personnel costs, the Company and Ansan desire to enter into this Agreement to set forth the terms upon which the Company will continue to provide the Services to Ansan.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1 SERVICES.

(a) Ansan hereby engages to provide, and the Company agrees to provide, to Ansan in a timely and acceptable manner in conformity with the service requirements of Ansan and standards of the Company, as of the date hereof, the following services, which shall be provided throughout the term of the Agreement, without specific request, unless otherwise indicated:

(i) FINANCIAL/ACCOUNTING. The Company shall process bi-weekly and special payroll checks and shall prepare and file related bi-weekly, monthly, quarterly and annual payroll tax returns for Ansan. Ansan shall use the Company's accounts payable system for processing vendor invoices and check requests and the Company shall process payments of accounts payable based upon the due dates Ansan provides in the Company's accounts payable system. The Company shall maintain the general ledger for Ansan and issue financial statements as necessary. The Company shall review tax computations and prepare for Ansan tax filings for excise tax, property tax and sales tax, income tax, franchise tax and business licenses. Ansan hereby authorizes and appoints the Company as its attorney-in-fact solely for the purpose of filing any necessary returns or filings required to be filed by Ansan pursuant to this Agreement. Ansan shall, no later than two (2) days prior to the due date for any tax payment, excluding payroll taxes, fund the amount of the tax liability previously communicated in writing to Ansan by the Company. Ansan shall use the Company's software to process routing, billing and records, and the Company shall provide related support as needed.

(ii) HEALTHCARE CLAIMS PROCESSING. The Company shall coordinate

healthcare claims processing and premium billing and shall process periodic monthly enrollments for Ansan. Ansan shall, no later than the tenth (10th) day of each month, fund the amount of all healthcare insurance premiums as previously communicated in writing to Ansan by the Company by the fifth day of each month. The Company shall assist Ansan in its open enrollment

process. The Company shall process documentation with respect to any Ansan benefit plan. The Company shall prepare necessary filings for governmental agencies related to Ansan benefit plans.

(iii) **HUMAN RESOURCES.** The Company shall provide human resource support services, including payroll and related compliance tasks, employee benefits administration, reporting requirements for federal and state agencies and compensation survey information.

(iv) **CORPORATE AND BUSINESS DEVELOPMENT.** The Company shall assist Ansan in seeking and negotiating technology licenses, corporate partnerships arrangements and equity investments.

(b) The foregoing list of services shall not be deemed exhaustive and may be changed upon the mutual agreement of Ansan and the Company.

2 FEES.

(a) In consideration of the Company providing the Services to Ansan, Ansan shall pay to the Company, or to any of its subsidiaries as the Company shall designate, \$7,000.00 per month during the first year of this Agreement (the "Management Fee").

(b) The Management Fee shall be adjusted as of each subsequent anniversary date of this Agreement and will be based upon services requested by Ansan and the expected cost to the Company of providing such services.

3 INDEMNIFICATION.

(a) Ansan agrees to indemnify the Company and/or its subsidiaries (collectively, the "Titan Group") and the employees of the Company who provide services hereunder (the "Titan Providers," individually, a "Titan Indemnitee" and collectively, the "Titan Indemnites"), if a Titan Indemnitee is made, or threatened to be made, a party to any action, claim or proceeding, whether civil or criminal, including any action by or in the right of Ansan, by reason of the provision of services by the Company and/or the Titan Providers to Ansan pursuant to the terms of this Agreement (other than any action by Ansan against the Company by reason of a breach of this Agreement by the Company) against judgments, fines, amounts paid in settlement and reasonable expenses, including reasonable attorneys' fees (collectively, "Losses"); provided, however, that the foregoing indemnity shall not apply to any Losses to the extent such Losses resulted primarily from the willful misconduct, gross negligence or bad faith of a Titan

2

Indemnitee.

(b) The Company shall be liable for, and agrees to indemnify Ansan against, any claim, damage or loss incurred by Ansan resulting from or arising out of any act or omission by the Company or a Titan Provider in connection with the performance or non-performance of any of the Company's duties under this Agreement to the extent that such act or omission resulted from the willful misconduct, gross negligence or bad faith of the Company or a Titan Provider.

4 **RESPONSIBILITY FOR PROVIDING COMPENSATION AND FRINGE BENEFITS TO SERVICE PROVIDERS.** The Company shall bear all of the costs and expenses of the personal compensation, fringe benefits and perquisites, including, without limitation, pension, life insurance, health insurance, hospitalization and other forms of insurance, of the Titan Providers, and such persons shall not be entitled to any compensation or benefit from Ansan for services performed for Ansan in any capacity pursuant to this Agreement.

5 **STATUS AS INDEPENDENT CONTRACTOR.** It is expressly understood between the parties hereto that all of the Titan Providers shall be independent contractors with respect to services provided by the Titan Providers to Ansan hereunder, unless and to the extent that such Titan Providers are employed separately by Ansan. It is also expressly agreed that, unless and to the extent that such Titan Providers are employed separately by Ansan, the Company shall be solely responsible for the withholding and payment of any and all taxes and

other sums required to be withheld or paid by an employer pursuant to any and all state, federal or other laws with respect to all Titan Providers rendering services hereunder.

6 **WORK PRODUCT; CONFIDENTIALITY.** The Company agrees, on behalf of itself and its employees, representatives and agents, including, without limitation, the Titan Providers, that all memoranda, notes, records or other documents made or compiled by the Company and its employees, representatives and agents (including, without limitation, the Titan Providers) in the fulfillment of the Company's obligations under this Agreement or otherwise, or made available to any of them concerning any Company Information (as defined below) shall be Ansan's property and shall be delivered to Ansan upon the termination of this Agreement or at any other time upon Ansan's request. None of the Company or its employees, representatives and agents (including, without limitation, the Titan Providers) shall, directly or indirectly, knowingly use, for themselves or others, or divulge to others, other than in the ordinary course and in furtherance of the Services to be provided hereunder, any secret or confidential information, non-public information, knowledge, or data of Ansan or its collaborators (collectively, the "Company Information") obtained by any of them as a result of the Company's performance of this Agreement, unless authorized by Ansan. The provisions of this Section do not extend to any portion of such Company Information which becomes generally available to the public other than as a result of a disclosure by the recipient or its representatives, subsidiaries or affiliates, and will not be deemed to restrict the recipient from complying with any order, request or decree of any court, government or other regulatory body to produce any such information, but upon receiving

3

notice that any such order, request or decree is being sought, the recipient will promptly give Ansan notice thereof and agree to cooperate with Ansan's efforts, if any, to contest the issuance of such order, request or decree. The provisions of this Section shall survive the termination or expiration of this Agreement.

7 **TERM.** This Agreement will commence on the date hereof (the "Commencement Date") and continue for one year from the Commencement Date. This Agreement shall be extended automatically for additional one year terms unless terminated by either party hereto upon prior written notice given as provided herein to the other party hereto at least 60 days prior to the anniversary of the Commencement Date. Notwithstanding the foregoing, Ansan shall have the right to terminate any of the Services provided by the Company and receive a corresponding pro rata reduction in the Management Fee with good reason upon thirty (30) days prior written notice to the Company.

8 **NOTICES.** Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by facsimile transmission, overnight courier, or certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (provided that a confirmation copy is sent by overnight courier), or, if sent by overnight courier, one (1) day after deposit with an overnight courier, or, if mailed, three (3) days after the date of deposit in the United States mails, as follows:

To the Company: Titan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 505
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 244-4956

To Ansan: Ansan Pharmaceuticals, Inc.
400 Oyster Point Boulevard, Suite 435
South San Francisco, California 94080
Attention: President
Telecopy No.: (415) 635-0201

Either party may, by notice given in accordance with this Section to the other party, designate another address or person for receipt of notices hereunder.

9 **COMPLETE AGREEMENT.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and

supersedes all previous negotiations, oral agreements, commitments and writings with respect to such subject matter.

10 **AMENDMENTS.** This Agreement may not be modified or amended except by an agreement in writing signed by both parties.

4

11 **GOVERNING LAW.** This Agreement and the rights and remedies of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be wholly performed within such State, without regard to the conflicts of laws principles of such State. Any legal action, suit or proceeding arising out of or relating to this Agreement may be instituted in any state or federal court located within the County of New Castle, State of Delaware, and each party hereto agrees not to assert, by way of motion, as a defense, or otherwise, in any such action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such court, that the venue of the action, suit or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

12 **ASSIGNMENT.** Neither the Company nor Ansan may assign any of its rights, benefits or duties under this Agreement without the prior written consent of the other, which consent will not be unreasonably withheld or delayed. This Agreement is binding on and will inure to the benefit of the parties and their respective permitted successors and assigns.

13 **NO THIRD-PARTY BENEFICIARIES.** This Agreement is solely for the benefit of the parties hereto (and the Titan Indemnites), and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

14 **CAPTIONS.** Captions and section headings are used for convenience of reference only and are not part of this Agreement and may not be used in construing it.

15 **ENFORCEABILITY.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision or remedies otherwise available to any party hereto.

16 **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together constitute one and the same instrument.

5

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

TITAN PHARMACEUTICALS, INC.

By: _____

Name: Louis R. Bucalo

Title: President and Chief Executive Officer

ANSAN PHARMACEUTICALS, INC.

By: _____

Name: Vaughan Shalson

Title: President

6

TITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF COMPUTATION OF NET LOSS PER SHARE

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1996	1997
	(unaudited)	
<S>	<C>	<C>
Net loss	\$ (3,424,769)	\$ (13,158,566)
Deemed dividend upon conversion of preferred stock	(5,431,871)	-
Net loss applicable to common stock	\$ (8,856,640)	\$ (13,158,566)
Weighted average shares of common stock outstanding	8,824,159	12,897,703
Net loss per share	\$ (1.00)	\$ (1.02)
 PRO FORMA		
Net loss applicable to common stock	\$ (8,856,640)	\$ (13,158,506)
Calculation of shares outstanding for Computing pro forma net loss per share:		
Shares used in computing net loss per share	8,824,159	-
Adjusted to reflect the effect of the Assumed conversion of preferred stock	1,092,091	-
Shares used in computing pro forma net loss per share	9,916,250	12,897,703
Net loss per share	\$ (0.89)	\$ (1.02)

</TABLE>

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<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND STATEMENT OF OPERATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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