**As filed with the Securities and Exchange Commission on December 7, 2007.**

**SEC File No. 333-**

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

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**FORM SB-2**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

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# TRANSDEL PHARMACEUTICALS, INC.

(Name of small business issuer in its charter)

| **Delaware** | **2834** | **45-0567010** |
|---|---|---|
| *(State or jurisdiction of incorporation or organization)* | *(primary standard industrial classification code number)* | *(I.R.S. Employer Identification No.)* |

**4225 Executive Square, Suite 460**
**La Jolla, CA 92037**
**(858) 457-5300**
*(Address and telephone number of principal executive offices)*
*(Address of principal place of business or intended principal place of business)*

**Juliet Singh, Ph.D**
**Chief Executive Officer**
**Transdel Pharmaceuticals, Inc.**
**4225 Executive Square**
**Suite 460**
**La Jolla, CA 92037**
**(858) 457-5300**
*(Name, address and telephone number of agent for service)*

***Copies of all communications, including communications sent to agent for service, should be sent to:***

**Harvey J. Kesner, Esq.**
**Haynes and Boone, LLP**
**153 East 53rd Street**
**Suite 4900**
**New York, New York 10022**
**Tel (212) 659-7300**
**Fax (212) 918-8989**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

**CALCULATION OF REGISTRATION FEE**

| Title of each class of securities to be registered | Amount to be Registered[1] | Proposed maximum aggregate offering price | Amount of registration fee |
|---|---|---|---|
| Common Stock, $.001 par value | 3,877,011 | $ 10,002,688.38(2) | $ 307.09 |
| Common Stock issuable upon exercise of warrants | 570,458 | $ 1,471,781.64(2) | $ 45.19 |
| Total | 4,447,469 | $ 11,474,470.02(2) | $ 352.27 |

(1) Pursuant to Rule 416 under the Securities Act, the shares of common stock offered hereby also include an indeterminate number of additional shares of common stock as may from time to time become issuable by reason of stock splits, stock dividends, recapitalizations or other similar transactions.

(2) With respect to the shares of common stock offered by the selling stockholders named herein, estimated at $2.58 per share, the average of the bid and asked price of the common stock as reported on the OTC Bulletin Board regulated quotation service on December 4, 2007, for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED DECEMBER 7, 2007**

**PRELIMINARY PROSPECTUS**

# Transdel Pharmaceuticals, Inc.

## 4,447,469 Shares of Common Stock

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This prospectus relates to the sale by the selling stockholders identified in this prospectus of up to 4,447,469 shares of our common stock, which includes:

- 2,071,834 shares of common stock issued in a private placement;
- 517,958 shares of common stock issuable upon the exercise of warrants issued in a private placement;
- 33,750 shares of common stock issuable upon the exercise of warrants issued to various placement agents in connection with our private placements;
- 1,530,177 shares of common stock that were issued upon the conversion of certain promissory notes;
- 275,000 other shares of common stock; and
- 18,750 shares of common stock issuable upon exercise of warrants.

The prices at which the selling stockholders may sell shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from the sale of these shares by the selling stockholders. However, we will receive the exercise price of the warrants if the warrants are exercised for cash.

All expenses of registration incurred in connection with this offering are being borne by us, but all selling and other expenses incurred by the selling stockholders will be borne by the selling stockholders.

Our common stock is quoted on the regulated quotation service of the OTC Bulletin Board under the symbol “TDLP.OB”. On December 5, 2007, the last reported sale price of our common stock as reported on the OTC Bulletin Board was $2.61 per share.

**INVESTING IN OUR COMMON STOCK IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND UNCERTAINTIES IN THE SECTION ENTITLED “RISK FACTORS” BEGINNING ON PAGE 3 OF THIS PROSPECTUS BEFORE MAKING A DECISION TO PURCHASE OUR STOCK.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus is December __, 2007

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**You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.**

## PROSPECTUS SUMMARY

*The following summary highlights information contained elsewhere in this prospectus. It may not contain all the information that may be important to you. You should read this entire prospectus carefully, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis or Plan of Operation," and our historical financial statements and related notes included elsewhere in this prospectus. In this prospectus, unless the context requires otherwise, references to "we," "our," or "us" refer to Transdel Pharmaceuticals, Inc.*

### Corporate History

We were incorporated in Delaware in January 2006 as Bywater Resources, Inc. in order to conduct mineral exploration activities. We changed our name to Transdel Pharmaceuticals, Inc. on September 10, 2007. On September 17, 2007, we acquired Trans-Pharma Corporation, a privately held Nevada corporation pursuant to an Agreement of Merger and Plan of Reorganization by and among Trans-Pharma Corporation, Trans-Pharma Acquisition Corp., our wholly owned acquisition subsidiary, and us. Upon the closing of the merger transaction, Trans-Pharma Acquisition merged with and into Trans-Pharma Corporation, and Trans-Pharma Corporation, as the surviving corporation, became our wholly owned subsidiary. After the merger, we succeeded to the business of Trans-Pharma Corporation as our sole line of business. On October 24, 2007, Trans-Pharma Corporation as our wholly owned subsidiary changed its name to Transdel Pharmaceuticals Holdings, Inc.

### Overview

We are a specialty pharmaceutical company focused on the development and commercialization of non-invasive topically delivered medications. Our lead topical drug, Ketotransdel™, utilizes our proprietary Transdel™ cream formulation to facilitate the passage of ketoprofen, a non-steroidal anti-inflammatory drug, or NSAID, through the skin barrier to reach targeted underlying tissue where that drug exerts its prolonged localized anti-inflammatory and analgesic effect. A Phase 1/2 clinical study supported the safety and efficacy of Ketotransdel™ for acute pain and muscle soreness.

We expect to file an Investigational New Drug, or IND, application containing our proposed Phase 3 clinical studies for Ketotransdel™ for the treatment of acute pain, during the first quarter of 2008. Based on the timing of the review of our IND application by the U.S. Food and Drug Administration, or the FDA, we anticipate starting Phase 3 clinical studies for the topical treatment of acute pain during the first six months of 2008. The expected filing date of the Phase 3 submission to the FDA will depend on a variety of factors including but not limited to the completion of the manufacturing process for non clinical/clinical supplies, and potentially the completion of the non-clinical studies and the generation of data. Issues or problems encountered in any of these areas may result in delays in the filing of the IND for the Phase 3 trials. If and when the FDA approves Ketotransdel™ for treatment of acute pain, we intend to pursue FDA approval of Ketotransdel™ for other indications including osteoarthritis.

We believe that the clinical success of Ketotransdel™ will facilitate the use of the Transdel™ delivery technology in other products. We are also investigating other drug candidates and treatments for transdermal delivery using the Transdel™ platform technology for products in pain management and other therapeutic areas. Furthermore, we are in discussions with potential commercial partners for future Ketotransdel™ sales and marketing strategies and with potential Pharma partners for licensing opportunities related to the Transdel™ delivery system.

Our principal executive offices are located at 4225 Executive Square, Suite 460, La Jolla, California 92037, and our telephone number is (858) 457-5300.

### The Offering

| | |
|---|---|
| Common stock offered by the selling stockholders: | 4,447,469 shares, consisting of 2,071,834 shares issued to investors in a private placement, 1,530,177 shares issued upon the conversion of promissory notes, 275,000 other shares of common stock and 570,458 shares issuable upon the exercise of outstanding warrants. |

| | |
|---|---|
| Common stock outstanding after this offering: | 14,297,462 (1) |
| Use of proceeds: | We will not receive any proceeds from the sale of shares in this offering by the selling stockholders. However, we may receive proceeds of up to $2,281,832 from the exercise of the warrants if the warrants are exercised for cash. |
| OTC Bulletin Board symbol: | TDLP.OB |
| Risk Factors: | You should carefully consider the information set forth in this prospectus and, in particular, the specific factors set forth in the "Risk Factors" section beginning on page 3 of this prospectus before deciding whether to invest in shares of our common stock. |

(1) The number of outstanding shares after the offering is based upon 13,727,004 shares outstanding as of December 5, 2007 and assumes the full exercise of all warrants with respect to which the underlying shares are being registered pursuant to the registration statement of which this prospectus forms a part.

The number of shares of common stock outstanding after this offering excludes:

- 610,000 shares of common stock issuable upon the exercise of currently outstanding options having a weighted-average exercise price of $2.01 per share; and
- 694,687 shares of common stock available for future issuance under our 2007 Equity Compensation Plan.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. Before investing in our common stock you should carefully consider the following risks, together with the financial and other information contained in this prospectus. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be adversely affected. In that case, the trading price of our common stock would likely decline and you may lose all or a part of your investment.*

### Risks Relating to Our Business

***We have incurred losses in the research and development of Ketotransdel™ and our Transdel™ technology since inception. No assurance can be given that we will ever generate revenue or become profitable.***

Since inception we have recorded operating losses. For the fiscal year ended December 31, 2006, we experienced a net loss of approximately $584,000, and for the nine month period ended September 30, 2007, we experienced a net loss of approximately $2.8 million. In addition, we expect to incur increasing operating losses over the next several years as we continue to incur costs for research and development and clinical trials, and in other development activities. Our ability to generate revenue and achieve profitability depends upon our ability, alone or with others, to complete the development of our proposed products, obtain the required regulatory approvals and manufacture, market and sell our proposed products. Development is costly and requires significant investment. In addition, we may choose to license rights to particular drugs. The license fees for such drugs may increase our costs.

We expect to continue to incur losses for the foreseeable future as we continue to engage in the development of Ketotransdel™ and develop other products. There can be no assurance that we will ever be able to achieve or sustain market acceptance, profitability or positive cash flow. Our ultimate success will depend on many factors, including whether Ketotransdel™ receives FDA approval. We cannot be certain that we will receive FDA approval for Ketotransdel™, or that we will reach the level of sales and revenues necessary to achieve and sustain profitability. Unless we raise additional capital, we may not be able to execute our business plan or fund business operations long enough to achieve positive cash flow. Furthermore, we may be forced to reduce our expenses and cash expenditures to a material extent, which would impair our ability to execute our business plan.

***As of our last audit at the end of 2006, our independent registered public accounting firm expressed doubt about our ability to continue as a going concern.***

There can be no assurance that we will ever be able to achieve or sustain profitability or positive cash flow. Based on our history of losses, our independent registered public accounting firm has stated in their report accompanying their audit of our 2006 year-end financial statements that there was substantial doubt about our ability to continue as a going concern. If we are not able to generate revenue or raise additional capital, we may not be able to continue operating our business.

***We will need additional financing to execute our business plan and fund operations, which additional financing may not be available.***

We have very limited funds and we will not be able to execute our current business plan and fund business operations long enough to achieve profitability unless we are able to raise additional funds. Our ultimate success will depend upon our ability to raise additional capital. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us.

We may be required to pursue sources of additional capital through various means, including joint venture projects and debt or equity financings. Future financings through equity investments are likely to be dilutive to existing stockholders. Also, the terms of securities we may issue in future capital transactions may be more favorable for our new investors. Newly issued securities may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have additional dilutive effects. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition.

Our ability to obtain needed financing may be impaired by such factors as the capital markets, both generally and specifically in the pharmaceutical industry, and the fact that we are not profitable, which could impact the availability or cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to cease operations.

***Timing and results of clinical trials to demonstrate the safety and efficacy of products as well as FDA approval of products are uncertain.***

We are subject to extensive government regulations. The process of obtaining FDA approval is costly, time consuming, uncertain and subject to unanticipated delays. Before obtaining regulatory approvals for the sale of any of our products, we must demonstrate through preclinical studies and clinical trials that the product is safe and effective for each intended use. Preclinical and clinical studies may fail to demonstrate the safety and effectiveness of a product. Even promising results from preclinical and early clinical studies do not always accurately predict results in later, large scale trials. A failure to demonstrate safety and efficacy would result in our failure to obtain regulatory approvals. Moreover, if the FDA grants regulatory approval of a product, the approval may be limited to specific indications or limited with respect to its distribution, which could limit revenues.

We cannot assure you that the FDA or other regulatory agencies will approve any products developed by us, on a timely basis, if at all, or, if granted, that such approval will not subject the marketing of our products to certain limits on indicated use. Any limitation on use imposed by the FDA or delay in or failure to obtain FDA approvals of products developed by us would adversely affect the marketing of these products and our ability to generate product revenue, as well as adversely affect the price of our common stock.

***If we fail to comply with continuing federal, state and foreign regulations, we could lose our approvals to market drugs and our business would be seriously harmed.***

Following initial regulatory approval of any drugs we may develop, we will be subject to continuing regulatory review, including review of adverse drug experiences and clinical results that are reported after our drug products become commercially available. This would include results from any post-marketing tests or continued actions required as a condition of approval. The manufacturer and manufacturing facilities we use to make any of our drug candidates will be subject to periodic review and inspection by the FDA. If a previously unknown problem or problems with a product or a manufacturing and laboratory facility used by us is discovered, the FDA or foreign regulatory agency may impose restrictions on that product or on the manufacturing facility, including requiring us to withdraw the product from the market. Any changes to an approved product, including the way it is manufactured or promoted, often requires FDA approval before the product, as modified, can be marketed. In addition, we and our contract manufacturers will be subject to ongoing FDA requirements for submission of safety and other post-market information. If we or our contract manufacturers fail to comply with applicable regulatory requirements, a regulatory agency may:

- issue warning letters;
- impose civil or criminal penalties;
- suspend or withdraw our regulatory approval;
- suspend or terminate any of our ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications filed by us;
- impose restrictions on our operations;

- close the facilities of our contract manufacturers; or

- seize or detain products or require a product recall.

Additionally, regulatory review covers a company's activities in the promotion of its drugs, with significant potential penalties and restrictions for promotion of drugs for an unapproved use. Sales and marketing programs are under scrutiny for compliance with various mandated requirements, such as illegal promotions to health care professionals. We are also required to submit information on our open and completed clinical trials to public registries and databases. Failure to comply with these requirements could expose us to negative publicity, fines and penalties that could harm our business.

If we violate regulatory requirements at any stage, whether before or after marketing approval is obtained, we may be fined, be forced to remove a product from the market or experience other adverse consequences, including delay, which would materially harm our financial results. Additionally, we may not be able to obtain the labeling claims necessary or desirable for product promotion.

***Delays in the conduct or completion of our clinical and non-clinical trials or the analysis of the data from our clinical or non-clinical trials may result in delays in our planned filings for regulatory approvals, and may adversely affect our business.***

We cannot predict whether we will encounter problems with any of our completed or planned clinical or non-clinical studies that will cause us or regulatory authorities to delay or suspend planned clinical and non-clinical studies. Any of the following could delay the completion of our planned clinical studies:

- failure of the FDA to approve the scope or design of our clinical or non-clinical trials or manufacturing plans;

- delays in enrolling volunteers in clinical trials;

- insufficient supply or deficient quality of materials necessary for the performance of clinical or non-clinical trials;

- negative results of clinical or non-clinical studies; and

- adverse side effects experienced by study participants in clinical trials relating to a specific product.

There may be other circumstances other than the ones described above, over which we may have no control that could materially delay the successful completion of our clinical and non-clinical studies.

***None of our product candidates, other than Ketotransdel™ , have commenced clinical trials.***

None of our product candidates, other than Ketotransdel™, have commenced any clinical trials and there are a number of FDA requirements that we must satisfy in order to commence clinical trials. These requirements will require substantial time, effort and financial resources. We cannot assure you that we will ever satisfy these requirements. In addition, prior to commencing any trials of a drug candidate, we must evaluate whether a market exists for the drug candidate. This is costly and time consuming and no assurance can be given that our market studies will be accurate. We may expend significant capital and other resources on a drug candidate and find that no commercial market exists for the drug. Even if we do commence clinical trials of our other drug candidates, such drug candidates may never be approved by the FDA.

***Once approved, there is no guarantee that the market will accept our products, and regulatory requirements could limit the commercial usage of our products.***

Even if we obtain regulatory approvals, uncertainty exists as to whether the market will accept our products or if the market for our products is as large as we anticipate. A number of factors may limit the market acceptance of our products, including the timing of regulatory approvals and market entry relative to competitive products, the availability of alternative products, the price of our products relative to alternative products, the availability of third party reimbursement and the extent of marketing efforts by third party distributors or agents that we retain. We cannot assure you that our products will receive market acceptance in a commercially viable period of time, if at all. We cannot be certain that any investment made in developing products will be recovered, even if we are successful in commercialization. To the extent that we expend significant resources on research and development efforts and are not able, ultimately, to introduce successful new products as a result of those efforts, our business, financial position and results of operations may be materially adversely affected, and the market value of our common stock could decline.

***We may be the subject of product liability claims or product recalls, and we may be unable to obtain or maintain insurance adequate to cover potential liabilities.***

Our business exposes us to potential liability risks that arise from the testing, manufacturing, marketing and sale of our products. In addition to direct expenditures for damages, settlement and defense costs, there is a possibility of adverse publicity as a result of product liability claims. Product liability is a significant commercial risk for us. Some plaintiffs have received substantial damage awards against pharmaceutical companies based upon claims for injuries allegedly caused by the use of their products. In addition, it may be necessary for us to recall products that do not meet approved specifications, which would also result in adverse publicity, as well as costs connected to the recall and loss of revenue.

We cannot assure you that a product liability claim or series of claims brought against us would not have an adverse effect on our business, financial condition, and results of operations. If any claim is brought against us, regardless of the success or failure of the claim, we cannot assure you that we will be able to obtain or maintain product liability insurance in the future on acceptable terms or with adequate coverage against potential liabilities or the cost of a recall.

We are in the process of obtaining product liability insurance. However, we cannot assure you that our insurance will provide adequate coverage against potential liabilities. Furthermore, clinical trial and product liability insurance is becoming increasingly expensive. As a result, we may not be able to maintain current amounts of insurance coverage, obtain additional insurance or obtain insurance at a reasonable cost or in sufficient amounts to protect against losses that could have a material adverse effect on us.

***If our patents are determined to be unenforceable, or if we are unable to obtain new patents based on current patent applications or for future inventions, we may not be able to prevent others from using our intellectual property.***

Our success will depend in part on our ability to obtain and expand patent protection for our specific products and technologies both in the United States and other countries. We cannot guarantee that any patents will be issued from any pending or future patent applications owned by or licensed to us. Alternatively, a third party may successfully circumvent our patents. Our rights under any issued patents may not provide us with sufficient protection against competitive products or otherwise cover commercially valuable products or processes. In addition, because patent applications in the United States are maintained in secrecy for eighteen months after the filing of the applications, and publication of discoveries in the scientific or patent literature often lag behind actual discoveries, we cannot be sure that the inventors of subject matter covered by our patents and patent applications were the first to invent or the first to file patent applications for these inventions. In the event that a third party has also filed a patent on a similar invention, we may have to participate in interference proceedings declared by the United States Patent and Trademark Office to determine priority of invention, which could result in a loss of our patent position. Furthermore, we may not have identified all United States and foreign patents that pose a risk of infringement.

***The use of our technologies could potentially conflict with the rights of others.***

The manufacture, use or sale of our proprietary products may infringe on the patent rights of others. If we are unable to avoid infringement of the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Patent litigation is costly and time consuming and may divert management's attention and our resources. We may not have sufficient resources to bring these actions to a successful conclusion. In such case, we may be required to alter our products, pay licensing fees or cease activities. If our products conflict with patent rights of others, third parties could bring legal actions against us claiming damages and seeking to enjoin manufacturing and marketing of affected products. If these legal actions are successful, in addition to any potential liability for damages, we could be required to obtain a license in order to continue to manufacture or market the affected products. We may not prevail in any legal action and a required license under the patent may not available on acceptable terms, if at all.

***We will be dependent on outside manufacturers in the event that we successfully develop our product candidates into commercial drug products; therefore, we will have limited control of the manufacturing process, access to raw materials, timing for delivery of finished products and costs. One manufacturer may constitute the sole source of one or more of our products.***

Third party manufacturers will manufacture all of our products, in the event that we successfully develop our product candidates into commercial drug products. Currently, certain of our contract manufacturers constitute the sole source of one or more of our products. If any of our existing or future manufacturers cease to manufacture or are otherwise unable to deliver any of our products or any of the components of our products, we may need to engage additional manufacturing partners. Because of contractual restraints and the lead-time necessary to obtain FDA approval of a new manufacturer, replacement of any of these manufacturers may be expensive and time consuming and may disrupt or delay our ability to supply our products and reduce our revenues.

Because all of our products, in the event that we successfully develop our product candidates into commercial drug products, will be manufactured by third parties, we have a limited ability to control the manufacturing process, access to raw materials, the timing for delivery of finished products or costs related to this process. There can be assurance that our contract manufacturers will be able to produce finished products in quantities that are sufficient to meet demand or at all, in a timely manner, which could result in decreased revenues and loss of market share. There may be delays in the manufacturing process over which we will have no control, including shortages of raw materials, labor disputes, backlog and failure to meet FDA standards. Increases in the prices we pay our manufacturers, interruptions in our supply of products or lapses in quality could adversely impact our margins, profitability and cash flows. We are reliant on our third-party manufacturers to maintain their manufacturing facilities in compliance with FDA and other federal, state and/or local regulations including health, safety and environmental standards. If they fail to maintain compliance with FDA or other critical regulations, they could be ordered to curtail operations, which would have a material adverse impact on our business, results of operations and financial condition.

We also rely on our outside manufacturers to assist us in the acquisition of key documents such as drug master files and other relevant documents that are required by the FDA as part of the drug approval process and post-approval oversight. Failure by our outside manufacturers to properly prepare and retain these documents could cause delays in obtaining FDA approval of our drug candidates.

***We are dependent on third parties to conduct clinical trials and non-clinical studies of our drug candidates and to provide services for certain core aspects of our business. Any interruption or failure by these third parties to meet their obligations pursuant to various agreements with us could have a material adverse effect on our business, results of operations and financial condition.***

We rely on third parties to conduct clinical and non-clinical studies of our drug candidates and provide us with other services. Such third party contractors are subject to FDA requirements. Our business and financial viability are dependent on the regulatory compliance of these third parties, and on the strength, validity and terms of our various contracts with these third parties. Any interruption or failure by these third party contractors to meet their obligations pursuant to various agreements with us may be outside of our control and could have a material adverse effect on our business, financial condition and results of operations.

***We currently have no internal sales and marketing resources and may have to rely on third parties in the event that we successfully commercialize our product.***

In order to market any of our products in the United States or elsewhere, we must develop internally or obtain access to sales and marketing forces with technical expertise and with supporting distribution capability in the relevant geographic territory. We may not be able to enter into marketing and distribution arrangements or find a corporate partner to market our drug candidates, and we currently do not have the resources or expertise to market and distribute our products ourselves. If we are not able to enter into marketing or distribution arrangements or find a corporate partner who can provide support for commercialization of our products, we may not be able to successfully commercialize our products. Moreover, any new marketer or distributor or corporate partner for our specific combinations, with whom we choose to contract may not establish adequate sales and distribution capabilities or gain market acceptance for our products.

***If we are unable to retain our key personnel or attract additional professional staff, we may be unable to maintain or expand our business.***

Because of the specialized scientific nature of our business, our ability to develop products and to compete will remain highly dependent, in large part, upon our ability to attract and retain qualified scientific, technical and commercial personnel. The loss of key scientific, technical and commercial personnel, especially our Chief Executive Officer, Juliet Singh, Ph.D. or the failure to recruit additional key scientific, technical and commercial personnel could have a material adverse effect on our business. While we have consulting agreements with certain key institutions and have an employment agreement with our Chief Executive Officer, we cannot assure you that we will succeed in retaining personnel or their services under existing agreements. There is intense competition for qualified personnel in the pharmaceutical industry, and we cannot assure you that we will be able to continue to attract and retain the qualified personnel necessary for the development of our business.

**Risks Relating to Our Industry**

***If we are unable to compete with other companies that develop rival products to our products, then we may never gain market share or achieve profitability.***

The pharmaceutical industry is intensely competitive, and we face competition across the full range of our activities. If we fail to compete successfully, our business, results of operations and financial condition could be adversely affected. Our competitors include brand name and generic manufacturers of pharmaceuticals specializing in transdermal drug delivery, especially those doing business in the United States. In the market for pain management products, our competitors include manufacturers of over-the-counter and prescription pain relievers. Because we are smaller than many of our national competitors, we may lack the financial and other resources needed to compete for market share in the pain management sector. Our other potential drug candidates will also face intense competition from larger and more well established pharmaceutical and biotechnology companies. Many of these competitors have significantly greater financial, technical and scientific resources than we do. In addition to product safety, development and efficacy, other competitive factors in the pharmaceutical market include product quality and price, reputation, service and access to scientific and technical information. If our products are unable to compete with the products of our competitors, we may never gain market share or achieve profitability.

***We may not be able to keep up with the rapid technological change in the biotechnology and pharmaceutical industries, which could make our products obsolete and reduce our potential revenues.***

Biotechnology and related pharmaceutical technologies have undergone and continue to be subject to rapid and significant change. Our future will depend in large part on our ability to maintain a competitive position with respect to these technologies. It is possible that developments by our competitors will render our products and technologies obsolete or unable to compete. Any products that we develop may become obsolete before we recover expenses incurred in developing those products, which may require that we raise additional funds to continue our operations.

***Our ability to generate revenues will be diminished if we fail to obtain acceptable prices or an adequate level of reimbursement from third-party payors.***

If we succeed in bringing a specific product to market, we cannot be certain that the products will be considered cost effective and that reimbursement from insurance companies and other third-party payors will be available or, if available, will be sufficient to allow us to sell the products on a competitive basis.

Significant uncertainty exists as to the reimbursement status of newly approved health care products. Third-party payors, including Medicare, are challenging the prices charged for medical products and services. Government and other third-party payors increasingly are attempting to contain health care costs by limiting both coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. Third-party insurance coverage may not be available to patients for any products we discover and develop, alone or with collaborators. If government and other third-party payors do not provide adequate coverage and reimbursement levels for our products, the market acceptance of these products may be reduced.

***Changes in the healthcare industry that are beyond our control may be detrimental to our business.***

The healthcare industry is changing rapidly as the public, governments, medical professionals and the pharmaceutical industry examine ways to broaden medical coverage while controlling the increase in healthcare costs. Potential changes could put pressure on the prices of prescription pharmaceutical products and reduce our business or prospects. We cannot predict when, if any, proposed healthcare reforms will be implemented or their affect on our business.

**Risks Relating to the Common Stock**

***We are subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared.***

We are subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 will require us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting commencing with our annual report on Form 10-KSB for the fiscal year ended December 31, 2007, and to obtain a report by our independent registered public accounting firm addressing these assessments commencing with our annual report on Form 10-KSB for the fiscal year ended December 31, 2008. These reporting and other obligations will place significant demands on our management, administrative, operational, and accounting resources. We anticipate that we will need to upgrade our systems; implement additional financial and management controls, reporting systems and procedures; implement an internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired and we may not be able to obtain the independent registered public accounting firm certifications required by Section 404. Any failure to maintain effective internal controls could have a negative impact on our ability to manage our business and on our stock price.

***If we fail to maintain an effective system of internal control, we may not be able to report our financial results accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our business and adversely impact the trading price of our common stock.***

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we will not be able to manage our business as effectively, and our business and reputation with investors would be harmed. Any such inabilities to establish effective controls or loss of confidence would have an adverse affect on our financial condition, results of operation and access to capital. We have not performed an in-depth analysis to determine if past failures of internal controls exist, and may in the future discover areas of our internal control that need improvement.

***Public company compliance may make it more difficult to attract and retain officers and directors.***

The Sarbanes-Oxley Act and new rules subsequently implemented by the Securities and Exchange Commission have required changes in corporate governance practices of public companies. As a public company, we expect these new rules and regulations to increase our compliance costs in 2007 and beyond and to make certain activities more time consuming and costly. We also expect that these new rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

***Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.***

There may be risks associated with becoming public through a "reverse merger" rather than a public offering underwritten by a major investment bank. Securities analysts of major brokerage firms may not provide coverage of our company since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any secondary offerings on our behalf.

***Our stock price may be volatile.***

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- changes in the pharmaceutical industry and markets;
- competitive pricing pressures;
- our ability to obtain working capital financing;
- new competitors in our market;
- additions or departures of key personnel;
- limited "public float" in the hands of a small number of persons whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock;
- sales of our common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship with our contract manufacturers and clinical and non-clinical research organizations;
- industry or regulatory developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

***We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.***

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

***Our common stock may be deemed a "penny stock", which would make it more difficult for our investors to sell their shares.***

Our common stock may be subject to the "penny stock" rules adopted under Section 15(g) of the Securities Exchange Act of 1934, as amended. The penny stock rules apply to companies whose common stock is not listed on The Nasdaq Stock Market or other national securities exchange and trades at less than $4.00 per share or that have tangible net worth of less than $5,000,000 ($2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Furthermore, for companies whose securities are traded in the OTC Bulletin Board, it is more difficult (1) to obtain accurate quotations, (2) to obtain coverage for significant news events because major wire services generally do not publish press releases about such companies and (3) to obtain needed capital.

***Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.***

The sale by our stockholders of substantial amounts of our common stock in the public market, including shares of common stock offered by the selling stockholders pursuant to this prospectus, or upon the expiration of any statutory holding period, under Rule 144, or upon expiration of lock-up periods applicable to outstanding shares, or issued upon the exercise of outstanding options or warrants, could create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

***Our directors and executive officers can exert significant control over our business and affairs and may have actual or potential interests that may depart from those of our other stockholders.***

Our directors and executive officers together beneficially own a significant percentage of our issued and outstanding common stock, which percentage may increase in the event that they exercise any options or warrants to purchase shares of our common stock that they may hold or in the future are granted to them. The interests of such persons may differ from the interests of other stockholders. Such persons will have significant influence over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the following actions:

- the election of our directors;
- amendment of our Certificate of Incorporation or By-laws; and
- mergers, sales of assets or other corporate transactions.

Concentration of stock ownership among a few stockholders may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

## USE OF PROCEEDS

We will not receive any proceeds from the sale of our common stock by the selling stockholders covered by this prospectus.

A portion of the shares covered by this prospectus are issuable upon exercise of warrants to purchase our common stock. A number of these warrants have a cashless exercise option. If, however, a selling stockholder were to exercise its warrants for cash, the selling stockholder would pay us the exercise price of the warrants. We may receive aggregate gross proceeds of up to $2,281,832 from the exercise of warrants for cash. We would use any such proceeds for working capital and general corporate purposes.

## MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock has been quoted on the OTC Bulletin Board since October 1, 2007 under the symbol TDLP.OB. Prior to that date, there was no active market for our common stock. As of December 5, 2007, there were approximately 92 holders of record of our common stock.

The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

| **Fiscal Year 2007** | **High** | **Low** |
|---|---|---|
| Fourth Quarter (through December 3, 2007) | $ 3.10 | $ 2.00 |

The last reported sales price of our common stock on the OTC Bulletin Board on December 4, 2007, was $2.58 per share.

## DIVIDEND POLICY

In the past, we have not declared or paid cash dividends on our common stock, and we do not intend to pay any cash dividends on our common stock. Rather, we intend to retain future earnings, if any, to fund the operation and expansion of our business and for general corporate purposes.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements,” all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as “expects,” “plans,” “will,” “forecasts,” “projects,” “intends,” “estimates,” and other words of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward looking statement can be guaranteed and actual future results may vary materially.

Information regarding market and industry statistics contained in this prospectus is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources, and cannot assure investors of the accuracy or completeness of the data included in this prospectus. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

*The following discussion should be read in conjunction with the other sections of this prospectus, including "Risk Factors," "Business" and with our financial statements and the notes related thereto appearing elsewhere in this prospectus. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this prospectus as well as other matters over which we have no control. See "Special Note Regarding Forward-Looking Statements." Our actual results may differ materially.*

### Overview

We are a specialty pharmaceutical company focused on the development and commercialization of non-invasive topically delivered medications. Our lead topical drug, Ketotransdel™, utilizes our innovative proprietary Transdel™ cream formulation to facilitate the passage of ketoprofen, a NSAID, through the skin barrier to reach targeted underlying tissues where the drug exerts its prolonged localized anti-inflammatory and analgesic effect. A Phase 1/2 clinical study supported the safety and efficacy of Ketotransdel™ for acute pain and muscle soreness.

### Liquidity and Capital Resources

Since inception through September 30, 2007, we have incurred losses of approximately $5.6 million. These losses are primarily due to general and administrative and research and development expenses. Historically, our operations have been financed through capital contributions and debt and equity financings.

As of September 30, 2007, we had $4.3 million in cash. On each of September 17, 2007, and October 10, 2007, we completed private placements to selected institutional and individual investors of our common stock and warrants. In connection with the private placements, we raised approximately $3.9 million (net of placement fees and other costs aggregating $258,500) from the issuance of 2,071,834 shares common stock and detachable redeemable warrants to purchase 517,958 shares of our common stock at a cash exercise price of $4.00 per share and a cashless exercise price of $5.00 per share. We expect that our capital resources will permit us to meet our operational requirements through the first quarter of 2008. This expectation is based on our current operating plan, which may change as a result of many factors. In order to execute our operating plan through fiscal year 2008, additional financing will be required and there can be no assurance that it will be available on terms favorable to us or at all. If adequate financing is not available we will have to delay, postpone or terminate clinical trials and curtail general and administrative operations, which would have a material adverse effect on us.

### Research and Development Activities

Our current operating plan is focused on the research and development of our lead drug, Ketotransdel™. We expect to file an IND application containing our proposed Phase 3 clinical studies with the FDA for Ketotransdel™ for treatment of acute pain in the first quarter of 2008. Based on the FDA's review of this filing, we anticipate starting Phase 3 clinical trials for the topical treatment of acute pain during the first six months of 2008. The expected filing date of the Phase 3 submission to the FDA will depend on a variety of factors including but not limited to the completion of the manufacturing process for non clinical/clinical supplies, and potentially the completion of the non clinical studies and the generation of data. Issues or problems encountered in any of these areas may result in delays in the filing of the IND for the Phase 3 trials.

No assurance can be given that the FDA will agree with our proposed clinical trials or non-clinical studies. The FDA may require that we conduct additional clinical trials and non-clinical studies that we do not presently anticipate conducting or to repeat studies that we have already conducted.

If and when the FDA approves Ketotransdel™ for treatment of acute pain, we intend to pursue FDA approval of Ketotransdel™ for other indications, including osteoarthritis. We believe that the clinical success of Ketotransdel™ will facilitate the use of the Transdel™ delivery technology in other products. We are also investigating other drug candidates and treatments for transdermal delivery using the Transdel™ platform technology for products in pain management and other therapeutic areas. Furthermore, we are in discussions with potential commercial partners for future Ketotransdel™ sales and marketing strategies and with potential Pharma partners for licensing opportunities related to the Transdel™ delivery system.

We believe that our current staff is sufficient to carry out our business plan, however if our operations in the future require it, we will consider the employment of additional staff.

**Critical Accounting Policies**

We rely on the use of estimates and make assumptions that impact our financial condition and results. These estimates and assumptions are based on historical results and trends as well as our forecasts as to how results and trends might change in the future. Although we believe that the estimates we use are reasonable, actual results could differ from those estimates.

We believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve more significant judgments and estimates used in the preparation of our consolidated financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and any changes in the different estimates that could have been used in the accounting estimates that are reasonably likely to occur periodically could materially impact our consolidated financial statements.

Our most critical accounting policies and estimates that may materially impact our results of operations include:

*Stock-Based Compensation.* Effective January 1, 2006, we adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), *Share-Based Payment*, ("SFAS 123R"), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS 123R supersedes Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS No. 95, *Statement of Cash Flows*. SFAS 123R requires all share-based payments to employees, including grants of employee stock options and restricted stock grants, to be recognized in the financial statements based upon their fair values. We use the Black-Scholes option pricing model to estimate the grant-date fair value of share-based awards under SFAS 123R. Fair value is determined at the date of grant. In accordance with SFAS 123R, the financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates. As of September 30, 2007, management estimates that the effect of forfeitures on the financial statements will be insignificant.

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of SFAS No. 123, Emerging Issues Task Force ("EITF") 96-18, *Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services* and EITF 00-18, *Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees.* As such, the value of the applicable stock-based compensation is periodically remeasured and income or expense is recognized during the vesting terms. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance with EITF 00-18, an asset acquired in exchange for the issuance of fully vested, nonforfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, we recorded the fair value of the common stock issued for future consulting services as prepaid consulting fees in our condensed consolidated balance sheet.

**Off-Balance Sheet Arrangements**

Since our inception, except for standard operating leases, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

**Recent Accounting Pronouncements**

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN No. 48"), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN No. 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. We are subject to the provisions of FIN No. 48 as of January 1, 2007. We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN No. 48. The cumulative effect, if any, of applying FIN No. 48 is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption. We did not record a cumulative effect adjustment related to the adoption of FIN No. 48. Tax years since 1992 remain subject to examination by the major tax jurisdictions in which we are subject to tax. Our policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. We plan to adopt SFAS No. 157 beginning in the first quarter of 2008. We are currently evaluating the impact, if any, that adoption of SFAS No. 157 will have on our operating income (loss) or net earnings (loss).

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115.* SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FASB Statement No. 157, *Fair Value Measurements*. The adoption of this pronouncement is not expected to have material effect on our financial statements.

In June 2007, the Financial Accounting Standards Board ratified a consensus opinion reached by the Emerging Issues Task Force (EITF) on EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities.* The guidance in EITF Issue 07-3 requires us to defer and capitalize nonrefundable advance payments made for goods or services to be used in research and development activities until the goods have been delivered or the related services have been performed. If the goods are no longer expected to be delivered nor the services expected to be performed, we would be required to expense the related capitalized advance payments. The consensus in EITF Issue 07-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2007 and is to be applied prospectively to new contracts entered into on or after December 15, 2007. Early adoption is not permitted. Retrospective application of EITF Issue 07-3 is also not permitted. We intend to adopt EITF Issue 07-3 effective January 1, 2008. The impact of applying this consensus will depend on the terms of our future research and development contractual arrangements entered into on or after December 15, 2007.

## BUSINESS

### Company Overview

We are a specialty pharmaceutical company focused on the development and commercialization of non-invasive topically delivered medications. Our lead topical drug, Ketotransdel™ is a topical treatment for acute pain. A Phase 1/2 clinical study supported the safety and efficacy of Ketotransdel™ for acute pain and muscle soreness.

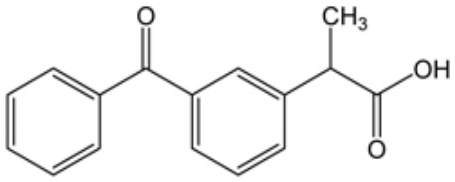
We believe that there is a multi-billion dollar void in the pain management market since the withdrawal of two popular COX-2 inhibitors, Bextra and Vioxx, in 2005 due to the increased risk of adverse cardiovascular events associated with these drugs Also, use of everyday over-the-counter painkillers such as aspirin, acetaminophen (Tylenol) and ibuprofen raise safety concerns. According to the National Center for Health Statistics, there are over 100,000 hospitalizations per year for NSAID related gastrointestinal complications and approximately 16,500 NSAID related deaths annually resulting in over $3 billion per year in additional health care costs. In 2006, the FDA approved new requirements that professional labeling for all over-the-counter and prescription NSAIDs, including COX-2 inhibitors, include information about the potential cardiovascular and gastrointestinal risks. We believe that these developments have resulted in demand for a potentially safer method of administering NSAIDs and that Ketotransdel™ is positioned to satisfy this demand.

We are also investigating other drug candidates and treatments for transdermal delivery using Transdel™ technology, our proprietary cream formulation, including anesthetics, human hormone replacement and anti-nausea medications. Our patent on the Transdel™ proprietary cream formulation covers the combination of the cream formulation with other active drug ingredients in over 26 therapeutic areas creating an opportunity to develop a number of potential drug candidates. This patent covers composition of matter, methods of manufacture and methods of use of Transdel™.

### Ketotransdel™

Ketotransdel™ is comprised of a transdermal formulation of ketoprofen, a NSAID, and our proprietary Transdel™ drug delivery system and is being developed for the treatment of acute pain. Ketotransdel™ penetrates the skin barrier to reach the targeted underlying tissues where it exerts its prolonged localized anti-inflammatory and analgesic effect. The topical delivery of the drug may minimize systemic exposure, therefore, resulting in fewer concerns pertaining to gastrointestinal, renal, cardiovascular and other adverse systemic effects, which are associated with orally administered NSAIDs. We believe that this product may be considered for patients with site specific localized pain and who also (i) have a history of gastrointestinal, cardiovascular, kidney or liver problems, (ii) are geriatric or pediatric patients and/or (iii) are patients at risk for drug interactions.

We selected ketoprofen as the active ingredient for Ketotransdel™ for its clinical and medical track record for safety and efficacy with low incidences of kidney, liver and skin reactions when administered topically.




Ketoprofen

*The structure of ketoprofen*

### Clinical results with Ketotransdel™

Ketotransdel™ was tested in a double blind, placebo-controlled Phase 1/2 clinical study. The study tested the efficacy and safety of topical Ketotransdel™ for the treatment of acute pain and soreness in a delayed-onset muscle soreness model placebo versus active. We also measured the level of systemic absorption of topical Ketotransdel™.

The clinical study for acute pain and muscle soreness demonstrated a significant medical benefit from Ketotransdel™ in terms of relief of pain and muscle soreness. The topical Ketotransdel™ has approximately 1/100$^{th}$ of the blood levels of ketoprofen found in the circulatory system as compared to a comparable dose of commercially available oral ketoprofen. Thus, we believe that the topical Ketotransdel™ can potentially provide a safer alternative to pain management as compared to the orally administered pain medications. No adverse reactions to Ketotransdel, such as rash or irritation were reported.

**FDA Review**

We expect to file an IND application containing our proposed Phase 3 clinical studies for Ketotransdel™ for the treatment of acute pain during the first quarter of 2008. Based on the timing of the FDA's review of our IND application, we anticipate starting Phase 3 clinical studies for the topical treatment of acute pain during the first six months of 2008. The expected filing date of the Phase 3 submission to the FDA will depend on a variety of factors including but not limited to the completion of the manufacturing process for non clinical/clinical supplies, and potentially the completion of the non-clinical studies and the generation of data. Issues or problems encountered in any of these areas may result in delays in the filing of the IND for the Phase 3 trials. If and when the FDA approves Ketotransdel™ for treatment of acute pain, we intend to pursue FDA approval of Ketotransdel™ for other indications including osteoarthritis.

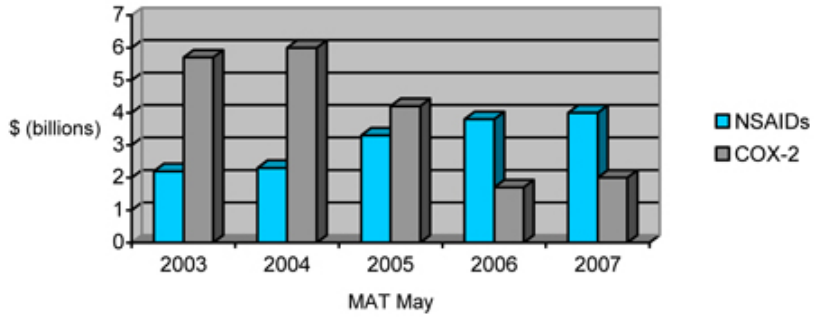
No assurance can be given that the FDA will agree with our proposed clinical trials or non-clinical studies. The FDA may require that we conduct additional clinical trials and non-clinical studies that we do not presently anticipate conducting or to repeat studies that we have already conducted.

We believe that the clinical success of Ketotransdel™ will facilitate the use of the Transdel™ delivery technology in other products. We are also investigating other drug candidates and treatments for transdermal delivery using the Transdel™ platform technology for products in pain management and other therapeutic areas. Furthermore, we are in discussions with potential commercial partners for future Ketotransdel™ sales and marketing strategies and with potential Pharma partners for licensing opportunities related to the Transdel™ delivery system.

**Market and Opportunity**

We believe that the market for NSAIDs and COX-2 inhibitors in the United States may exceed $6 billion. This data is illustrated in the table below.

**NSAID/COX-2 Retail Market Dollars**




*Source: Wolters Kluwer Source® Pharmaceutical Audit Suite, PHAST Prescription Monthly*

Since the withdrawal of major COX-2 inhibitors in 2005, oral NSAIDs have captured a share of the multibillion retail market for COX-2 inhibitors. Oral NSAIDs remain one of the most prescribed classes of drugs in the pain management market. Over 30 million people worldwide use prescription and over-the-counter NSAIDs daily.

However, due to increased understanding of the cardiovascular and gastrointestinal risks associated with NSAIDs, the FDA approved new rules requiring that professional labeling for all prescription and over-the-counter NSAIDs include information on such risks. We believe that there is a demand for topical pain management products that minimize systemic absorption of NSAIDs such as Ketotransdel™ due to the recognition of cardiovascular, gastrointestinal and other risks associated with orally administered NSAIDs.

**The Transdel™ Technology**

Transdel™ is our proprietary transdermal cream drug delivery platform. It consists of a cream that enables transdermal penetration of drugs minimizing systemic exposure. The Transdel™ drug delivery system facilitates the effective dissolution and delivery of a drug across the skin barrier to reach targeted underlying tissues. Transdel™ has the following properties that make it an ideal vehicle for topical drug administration:

- biocompatible – it hydrates the skin;
- enhanced skin penetration – it has a balance of hydrophilic and hydrophobic properties that allow efficient partitioning of drugs into the skin;
- low toxicity and biodegradable – its components are non-immunogenic and are generally regarded as safe;
- thermodynamically stable, insensitive to moisture and resistant to microbial contamination; and
- has desired skin adherence, spreadability, and cohesiveness for use as a topical agent.

Other key features of Transdel™ technology include:

- allows maximal solubilization of drug;
- clinical data supports safety and efficacy;
- potentially result in decreased safety concerns which are associated with oral drugs;
- rapid and efficient transdermal drug delivery;

- enables painless administration of medications and avoids stomach irritation minimizes dermal irritation considered to be superior to other transdermal delivery preparations due to the synergetic effect of its skin penetration enhancers and carriers;
- highly flexible – allows the delivery of a wide range of different medications;
- ease of application, aesthetically acceptable and odorless; and
- potentially produces patentable new products when combined with established drugs or new drugs.

**Competition**

The pharmaceutical industry is highly competitive. There are competitors in the United States developing patch products and other pain formulations that we are aware of at this time.

In addition to product safety, development and efficacy, other competitive factors in the pharmaceutical market include product quality and price, reputation, service and access to scientific and technical information. It is possible that developments by our competitors will make our products or technologies uncompetitive or obsolete. In addition, the intensely competitive environment of the pain management products requires an ongoing, extensive search for medical and technological innovations and the ability to market products effectively, including the ability to communicate the effectiveness, safety and value of branded products for their intended uses to healthcare professionals in private practice, group practices and managed care organizations. Because we are smaller than many of our national competitors, we may lack the financial and other resources needed to develop, produce, distribute, market and commercialize any our drug candidates or compete for market share in the pain management sector.

**Third Party Service Agreements**

We contract with various third parties to provide certain critical services including conducting clinical and non-clinical studies, manufacturing, certain research and development activities, medical affairs and certain regulatory activities and financial functions. Our failure to maintain our relationships with these third party contractors, may have a material adverse effect on our business, financial condition and results of operations.

**Governmental Regulation**

Our ongoing product development activities are subject to extensive and rigorous regulation at both the federal and state levels. Post development, the manufacture, testing, packaging, labeling, distribution, sales and marketing of our products is also be subject to extensive regulation. The Federal Food, Drug and Cosmetic Act of 1983, as amended, and other federal and state statutes and regulations govern or influence the testing, manufacture, safety, packaging, labeling, storage, record keeping, approval, advertising, promotion, sale and distribution of pharmaceutical products. Noncompliance with applicable requirements can result in fines, recall or seizure of products, total or partial suspension of production and/or distribution, refusal of the government to approve New Drug Applications, or NDAs, civil sanctions and criminal prosecution.

FDA approval is typically required before each dosage form or strength of any new drug can be marketed. Applications for FDA approval must contain information relating to efficacy, safety, toxicity, pharmacokinetics, product formulation, raw material suppliers, stability, manufacturing processes, packaging, labeling, and quality control. The FDA also has the authority to revoke previously granted drug approvals. Product development and approval within this regulatory framework requires a number of years and involves the expenditure of substantial resources.

Current FDA standards of approving new pharmaceutical products are more stringent than those that were applied in the past. As a result, labeling revisions, formulation or manufacturing changes and/or product modifications may be necessary. We cannot determine what effect changes in regulations or legal interpretations, when and if promulgated, may have on our business in the future. Changes could, among other things, require expanded or different labeling, the recall or discontinuance of certain products, additional record keeping and expanded documentation of the properties of certain products and scientific substantiation. Such regulatory changes, or new legislation, could have a material adverse effect on our business, financial condition and results of operations. The evolving and complex nature of regulatory requirements, the broad authority and discretion of the FDA and the generally high level of regulatory oversight results in a continuing possibility that from time to time, we will be adversely affected by regulatory actions despite ongoing efforts and commitment to achieve and maintain full compliance with all regulatory requirements.

**FDA Approval Process**

FDA approval is typically required before any new drug can be marketed. A NDA is a filing submitted to the FDA to obtain approval of new chemical entities and other innovations for which thorough applied research is required to demonstrate safety and effectiveness in use. The NDA must contain complete preclinical and clinical safety and efficacy data or a reference to such data. Since the active pharmaceutical ingredients in our topical drug candidates, such as ketoprofen, have already been approved by the FDA, we are able to file NDAs under section 505(b)(2) of the Hatch-Waxman Act of 1984. Under Section 505(b)(2) we may rely on data from pre-clinical and clinical studies that were not conducted by or for us and for which we have not obtained a right of reference or use from the person by or for whom the investigation was conducted. The FDA has determined that a 505(b)(2) NDA may be submitted for products that represent changes from approved drugs in conditions of use, active ingredient(s), route of administration, dosage form, strength, or bioavailability.

A 505(b)(2) applicant must provide the FDA with any additional clinical data necessary to demonstrate the safety and effectiveness of the product with the proposed change(s). Consequently, although duplication of preclinical and certain clinical studies is avoided through the use a 505(b)(2) application, specific studies may be required by the FDA. Such studies are typically conducted in three sequential phases, although the phases may overlap.

- Phase 1 clinical studies frequently begin with the initial introduction of the compound into healthy human subjects prior to introduction into patients, involves testing the product for safety, adverse effects, dosage, tolerance, absorption, metabolism, excretion and other elements of clinical pharmacology.

- Phase 2 clinical studies typically involve studies in a small sample of the intended patient population to assess the efficacy of the compound for a specific indication, to determine dose tolerance and the optimal dose range as well as to gather additional information relating to safety and potential adverse effects.

- Phase 3 clinical studies are undertaken to further evaluate clinical safety and efficacy in an expanded patient population at typically dispersed study sites, in order to determine the overall risk-benefit ratio of the compound and to provide an adequate basis for product labeling.

Each trial is conducted in accordance with certain standards under protocols that detail the objectives of the study, the parameters to be used to monitor safety, and efficacy criteria to be evaluated. Each protocol must be submitted to the FDA. In some cases, the FDA allows a company to rely on data developed in foreign countries or previously published data, which eliminates the need to independently repeat some or all of the studies.

To the extent that the Section 505(b)(2) NDA is relying on the findings for an already-approved drug, the applicant is required to certify that there are no patents for that drug or that (i) the patent has expired, (ii) the patent has not expired, but will expire on a particular date and approval is sought after patent expiration or (iii) the patent is invalid or will not be infringed by the manufacture, use or sale of the new product.

A certification that the new product will not infringe the already approved product’s patents or that such patents are invalid is called a paragraph IV certification. If the applicant does not challenge the listed patents, the Section 505(b)(2) NDA will not be approved until all the listed patents as well as any additional period of exclusivity have expired.

A paragraph IV certification sent to the FDA must also be sent to the relevant patent holders once the 505(b)(2) NDA has been accepted for filing by the FDA. The patent holders may then initiate a legal challenge to the paragraph IV certification. The filing of a patent infringement lawsuit within 45 days of receipt of a paragraph IV certification automatically prevents the FDA from approving the Section 505(b)(2) NDA until the earliest of 30 months, expiration of the patent, settlement of the lawsuit or a decision in the infringement case that is favorable to the Section 505(b)(2) applicant. Thus, a Section 505(b)(2) applicant may invest a significant amount of time and expense in the development of its products only to be subject to significant delay and patent litigation before its products may be commercialized.

Notwithstanding the approval of many products by the FDA pursuant to Section 505(b)(2), over the last few years, certain brand-name pharmaceutical companies and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA changes its interpretation of Section 505(b)(2), this could delay or even prevent the FDA from approving any Section 505(b)(2) NDA that we submit.

As a condition of approval, the FDA or other regulatory authorities may require further studies, including Phase IV post-marketing studies to provide additional data. Other post-marketing studies may be required to gain approval for the use of a product as a treatment for clinical indications other than those for which the product was initially tested. Also, the FDA or other regulatory authorities require post-marketing reporting to monitor the adverse effects of the drug. Results of post-marketing programs may limit or expand the further marketing of the products.

The FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. A company can make only those claims relating to safety and efficacy that are approved by the FDA. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available drugs for uses that are not described in the drug's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, impose stringent restrictions on manufacturers' communications regarding off-label use.

In 2005, the FDA asked the manufacturer of Celebrex, as well as all manufacturers of prescription and over-the-counter NSAIDs, to revise the labeling for their products. Manufacturers of NSAIDs are being asked to revise their labeling to provide specific information about the potential risk of cardiovascular events and gastrointestinal risks of their individual products. We are presently analyzing how this pronouncement will effect the labeling of Ketotransdel™.

**Quality Assurance Requirements**

The FDA enforces regulations to ensure that the methods used in, and facilities and controls used for, the manufacture, processing, packing and holding of drugs conform with current good manufacturing practices, or cGMP. The cGMP regulations the FDA enforces are comprehensive and cover all aspects of operations, from receipt of raw materials to finished product distribution, insofar as they bear upon whether drugs meet all the identity, strength, quality, purity and safety characteristics required of them. To assure compliance requires a continuous commitment of time, money and effort in all operational areas.

The FDA conducts pre-approval inspections of facilities engaged in the development, manufacture, processing, packing, testing and holding of the drugs subject to NDAs. If the FDA concludes that the facilities to be used do not meet cGMP, good laboratory practices or good clinical practices requirements, it will not approve the NDA. Corrective actions to remedy the deficiencies must be performed and verified in a subsequent inspection. In addition, manufacturers of both pharmaceutical products and active pharmaceutical ingredients used to formulate the drug also ordinarily undergo a pre-approval inspection, although the inspection can be waived when the manufacturer has had a passing cGMP inspection in the immediate past. Failure of any facility to pass a pre-approval inspection will result in delayed approval and would have a material adverse effect on our business, results of operations and financial condition.

The FDA also conducts periodic inspections of facilities to assess their cGMP status. If the FDA were to find serious cGMP non-compliance during such an inspection, it could take regulatory actions that could adversely affect our business, results of operations and financial condition. The FDA could initiate product seizures or request product recalls and seek to enjoin a product's manufacture and distribution. In certain circumstances, violations could lead to civil penalties and criminal prosecutions. In addition, if the FDA concludes that a company is not in compliance with cGMP requirements, sanctions may be imposed that include preventing the company from receiving the necessary licenses to export its products and classifying the company as an "unacceptable supplier," thereby disqualifying the company from selling products to federal agencies. Imported active pharmaceutical ingredients and other components needed to manufacture our products could be rejected by United States Customs.

We believe that we and our suppliers and outside manufacturers are currently in compliance with all FDA requirements.

**Other FDA Matters**

If there are any modifications to an approved drug, including changes in indication, manufacturing process or labeling or a change in a manufacturing facility, an applicant must notify the FDA, and in many cases, approval for such changes must be submitted to the FDA or other regulatory authority. Additionally, the FDA regulates post-approval promotional labeling and advertising activities to assure that such activities are being conducted in conformity with statutory and regulatory requirements. Failure to adhere to such requirements can result in regulatory actions that could have a material adverse effect on our business, results of operations and financial condition.

**Intellectual Property**

We obtained a patent from the United States Patent and Trademark Office on our Transdel™ technology in 1998, which affords protection of Transdel™ through 2016 in the United States. This patent covers composition of matter, methods of use and methods of manufacture. This patent also covers novel transdermal formulations with any active pharmaceutical ingredient. At present, our patent strategies and evaluations are ongoing and we plan to file multiple foreign patent applications in the future.

**Employees**

We currently have four employees, including one in management, one in research and development, one in financial accounting and one in administration. We currently believe that our employee relations are good.

**Facilities**

We lease approximately 1,403 square feet of office space in La Jolla, California for $5,121 per month. The current lease term expires on April 14, 2008. This facility serves as our corporate headquarters.

We believe our current facility is adequate for our immediate and near-term needs. Additional space may be required as we expand our activities. We do not currently foresee any significant difficulties in obtaining any required additional facilities.

**Legal Proceedings**

To our knowledge, no legal proceedings, government or administrative actions, investigations or claims are currently pending against us, or to our knowledge threatened, that, in the opinion of our management, could reasonably be expected to have a material adverse effect on our business and financial condition.

## MANAGEMENT

**Executive Officers and Directors**

The following table sets forth information regarding our executive officers and directors.

| Name | Age | Position |
|---|---|---|
| Juliet Singh, Ph.D. | 48 | Chief Executive Officer, Director |
| Balbir Brar, D.V.M. Ph.D. | 70 | Vice President, Research and Development |
| John T. Lomoro | 38 | Chief Financial Officer |
| Jeffrey J. Abrams, M.D. | 60 | Director |
| Anthony S. Thornley | 61 | Director |

Our directors hold office for one-year terms until the earlier of their death, resignation or removal or until their successors have been elected and qualified. Our officers are elected annually by the board of directors and serve at the discretion of the board.

**Biographies**

**Juliet Singh, Ph.D.**, has been a director and our chief executive officer since the merger with Transdel Pharmaceuticals Holdings, Inc. on September 17, 2007. Dr. Singh was the Chief Executive Officer of Transdel Pharmaceuticals Holdings, Inc. since 2005. From 2000 to 2003, Dr. Singh was a corporate officer-vice president of regulatory affairs and quality assurance of Collateral Therapeutics, Inc., a developer of non-surgical gene therapy products for the treatment of cardiovascular disease, which was acquired by Schering AG in 2002. From 1996 to 2000, Dr. Singh was the director of worldwide regulatory affairs for Allergan Corporation, where she oversaw the registration of BOTOX™ in the United States, Canada, Europe Asia, and South America. Prior to joining Allergan, Dr. Singh was the assistant director of regulatory affairs for Baxter Healthcare Corp., where she provided leadership in obtaining worldwide regulatory approval for recombinant factor VIII. Dr. Singh holds a Ph.D. in endocrinology from the University of California, Davis.

**Balbir Brar, D.V.M., Ph.D.**, has been our vice president of research and development since the merger with Transdel Pharmaceuticals Holdings, Inc. on September 17, 2007. Dr. Brar was a consultant to Transdel Pharmaceuticals Holdings, Inc. since 2004. From 1989 to 2002, Dr. Brar was the Vice President of drug safety and research and development at Allergan Corporation, where he oversaw the construction of a $75 million research and development facility and developed drug safety evaluation programs. He made major contributions to the development and world wide registration of six new drugs including BOTOX™ at Allergan Corporation. From 1986 to 1989, Dr. Brar was a Senior Director of Safety evaluations for Smith Kline Beecham, where he participated in obtaining regulatory approval for Smith Kline Beecham's first major topical drug Tazarotene. From 1981 to 1986, Dr. Brar was the section head of toxicology at Revlon Pharmaceuticals, where he provided pre-clinical safety data for a number of investigational new drugs. Dr. Brar holds a Doctor of Veterinary Medicine from the Punjab University, India, and a M.S. and Ph.D. from Rutgers, The State University of New Jersey.

**John T. Lomoro,** has been our chief financial officer since the merger with Transdel Pharmaceuticals Holdings, Inc. on September 17, 2007 and the chief financial officer of Trans-Pharma since September 2007. From 2004 to 2007, Mr. Lomoro was the director of North American accounting for Carl Zeiss Vision Inc., a privately held international optical lens manufacturing and distribution company. From 2003 to 2004, Mr. Lomoro was the manager of financial reporting and planning for dj Orthopedics, Inc., a publicly traded medical device manufacturing company. From 2002 to 2003, Mr. Lomoro was a corporate accounting manager at Wireless Knowledge, Inc. Mr. Lomoro's experience also includes approximately five years in public accounting as an audit manager at Ernst & Young LLP. Mr. Lomoro received a B.S. degree in accounting from St. Cloud State University of Minnesota and is a certified public accountant.

**Jeffrey J. Abrams, M.D., MPH,** has been a director since the merger with Transdel Pharmaceuticals Holdings, Inc. on September 17, 2007. Dr. Abrams has been a director of Transdel Pharmaceuticals Holdings, Inc. since 1998. Prior to joining Transdel Pharmaceuticals Holdings, Inc., Dr. Abrams was a practicing primary care clinician for over twenty years. Dr. Abrams received a B.A. from the State University of New York at Buffalo, an M.D. from the Albert Einstein College of Medicine and an M.P.H. from San Diego State University.

**Anthony S. Thornley**, has been a director since November 6, 2007. Mr. Thornley currently serves on the Board of Directors at Callaway Golf Incorporated, Cavium Networks Inc. and Airvana Inc. From February 2002 to June 2005, he served as President and Chief Operating Officer of QUALCOMM Incorporated, a wireless communication technology and integrated circuit company. From July 2001 to February 2002 he served as Chief Financial Officer and Chief Operating Officer of QUALCOMM, and from March 1994 to February 2002, he was the Chief Financial Officer of QUALCOMM. Prior to joining QUALCOMM, Mr. Thornley was with Nortel Networks, a telecommunications equipment manufacturer, for sixteen years in various financial and information systems management positions, including Vice President Finance and IS, Public Networks, Vice President Finance NT World Trade and Corporate Controller Nortel Limited. He has also worked for Coopers and Lybrand in public accounting. Mr. Thornley received his BS degree in Chemistry from the University of Manchester, England.

There are no family relationships among our directors and executive officers.

**Code of Ethics**

On December 6, 2007, we adopted an amended and restated code of ethics and business conduct that applies to our principal executive officer, principal financial officer, or persons performing similar functions and all other employees. A copy of the amended and restated code of ethics and business conduct is attached hereto as Exhibit 14.

**Board Committees**

We intend to appoint such persons to the Board of Directors and committees of the Board of Directors as are expected to be required to meet the corporate governance requirements imposed by a national securities exchange, although we are not required to comply with such requirements until we elect to seek listing on a securities exchange. We intend that a majority of our directors will be independent directors. Additionally, the Board of Directors is expected to appoint an audit committee, nominating committee and compensation committee, and to adopt charters relative to each such committee, in the near future.

**Board Independence**

We believe that Anthony S. Thornley is an “independent director,” as that term is defined by applicable listing standards of The NASDAQ Stock Market and Securities and Exchange Commission rules, including the rules relating to the independence standards of an audit committee and the non-employee director definition of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended.

## EXECUTIVE COMPENSATION

None of our executive officers received compensation in any form over the last two completed fiscal years.

**Outstanding Equity Awards at Fiscal Year-End**

As of December 31, 2006, there were no outstanding equity awards held by our executive officers.

**Employment Agreements**

We have entered into an employment agreement with Juliet Singh, Ph.D. to serve as our chief executive officer. Pursuant to this employment agreement, Dr. Singh is entitled to receive an annual base salary of $195,000, subject to annual reviews by our board of directors. Dr. Singh is also entitled to a performance-based bonus to be comprised of cash and/or equity compensation. If we terminate Dr. Singh's employment without cause, we will continue to pay Dr. Singh, as severance, her then current annual base salary for one year, payable in accordance with standard payroll procedures and the pro-rata amount of any accrued annual bonus.

**2007 Incentive Stock and Awards Plan**

On September 17, 2007, our board of directors and stockholders adopted the 2007 Incentive Stock and Awards Plan. The purpose of the plan is to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons into our development and financial success. Under the plan, we are authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, stock appreciation rights, performance shares, restricted stock and long term incentive awards. The plan will be administered by our board of directors until such time as such authority has been delegated to a committee of the board of directors.

As of December 5, 2007, there were outstanding options to purchase 610,000 shares of our common stock, 195,313 shares of restricted stock subject to forfeiture outstanding under the plan, and 694,687 shares of our common stock available for issuance under the plan.

**Director Compensation**

We have granted each of our directors options to purchase 10,000 shares of our common stock upon their initial election or appointment to the board of directors, and will grant options to purchase an additional 10,000 shares of common stock annually upon their reelection to the board of directors. The exercise price of each option shall not be less than the fair market value of our common stock. Such options will vest in full on the first anniversary of the date of grant.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On August 25, 2005, Transdel Pharmaceuticals Holdings, Inc. borrowed $36,500 from Dr. Abrams, a director, and issued Dr. Abrams a convertible promissory note in the original principal amount of $36,500 and warrants to purchase 36,500 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock at an exercise price of $0.001 per share, which following the Merger would be equivalent to warrants to purchase 5,703 shares of our common stock at an exercise price of $0.007. On May 7, 2007, Dr. Abrams forgave the principle amount of the convertible promissory note and all accrued interest thereon and agreed to the cancellation of the warrant. Dr. Abrams did not receive any shares of common stock or other consideration in exchange for the forgiving the promissory note or the cancellation of the warrant.

On August 25, 2005, Transdel Pharmaceuticals Holdings, Inc. borrowed $5,000 from Dr. Singh, a director and our chief executive officer, and issued Dr. Singh a convertible promissory note in the original principal amount of $5,000 and warrants to purchase 5,000 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock at an exercise price of $0.001 per share, which following the Merger would be equivalent to warrants to purchase 781 shares of our common stock at an exercise price of $0.007. On May 7, 2007, Dr. Singh forgave the principle amount of the convertible promissory note and all accrued interest thereon and agreed to the cancellation of the warrant. Dr. Singh did not receive any shares of common stock or other consideration in exchange for the forgiving the promissory note or the cancellation of the warrant.

On January 10, 2007, Balbir Brar, D.V.M., Ph.D., our vice president of research and development, purchased 900,000 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock pursuant to a restricted stock purchase Agreement for an aggregate purchase price of $9,000. In connection with the merger with Transdel Pharmaceuticals Holdings, Inc., these 900,000 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock converted into 140,625 shares of our common stock.

On February 27, 2007, the Abrams Family Trust, of which Dr. Abrams is a trustee, purchased 6,000,000 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock pursuant to a restricted stock purchase agreement for an aggregate purchase price of $6,000. In connection with the merger with Transdel Pharmaceuticals Holdings, Inc., these 6,000,000 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock converted into 937,500 shares of our common stock.

On March 20, 2007, Dr. Singh purchased 8,000,000 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock pursuant to a Restricted Stock Purchase Agreement for an aggregate purchase price of $8,000, which was paid by the cancellation of indebtedness in the amount of $8,000 owed to Dr. Singh. In connection with the merger with Transdel Pharmaceuticals Holdings, Inc., these 8,000,000 shares of Transdel Pharmaceuticals Holdings, Inc.'s common stock converted into 1,250,000 shares of our common stock.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth certain information as of December 5, 2007 regarding the beneficial ownership of our common stock by (i) each person or entity who, to our knowledge, owns more than 5% of our common stock; (ii) our Chief Executive Officer; (iii) each director; and (iv) all of our executive officers and directors as a group. Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power with respect to shares of common stock and that person's address is c/o Transdel Pharmaceuticals, Inc. 4225 Executive Square, Suite 460, La Jolla, California 92037. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of December 5, 2007, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the stockholder holding such options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other stockholder.

| Name of Beneficial Owner | Number of Shares Beneficially Owned | Percentage Beneficially Owned (1) |
|---|---|---|
| The Abrams Family Trust | 1,562,500(2) | 11.4% |
| Juliet Singh, Ph.D. | 1,953,125 | 14.2% |
| Jeffrey J. Abrams, M.D. | -(3) | - |
| Anthony S. Thornley | 62,500(4) | * |
| Joseph Grasela(5) | 1,171,875 | 8.5% |
| John C. Grasela(5) | 1,171,875 | 8.5% |
| All executive officers and directors as a group (5 persons) | 3,976,563 | 29.0% |

* less than 1%

(1) Based on 13,727,004 shares of our common stock issued and outstanding as of December 5, 2007.

(2) Jeffrey J. Abrams, M.D., a director, is a trustee of the Abrams Family Trust. Dr. Abrams has sole voting and investment control with respect to the shares of common stock owned by the Abrams Family Trust.

(3) Dr. Abrams is a trustee of the Abrams Family Trust, which owns 1,562,500 shares of our common stock.

(4) Includes 12,500 shares of common stock issuable upon the exercise of warrants.

(5) Joseph Grasela and John C. Grasela are adult siblings living in separate households.

## SELLING STOCKHOLDERS

Up to 4,447,469 shares of common stock are being offered by this prospectus, all of which are being registered for sale for the accounts of the selling security holders and include the following:

- 2,071,834 shares of common stock that were issued to accredited investors in connection with the private offerings in September 2007 and October 2007;
- 517,958 shares of common stock issuable upon exercise of warrants exercisable at a cash exercise price of $4.00 per share and a cashless exercise price of $5.00 per share that were issued to accredited investors in connection with the private offerings in September 2007 and October 2007;
- 33,750 shares of common stock issuable upon exercise of warrants exercisable at a cash exercise price of $4.00 per share and a cashless exercise price of $5.00 per share that were issued to placement agents in connection with the private offerings in September 2007 and October 2007; and
- 1,530,177 shares of common stock that were issued upon the conversion of $1,530,177 in indebtedness September 17, 2007;
- 275,000 other shares of common stock; and
- 18,750 shares of common stock issuable upon exercise of warrants.

Each of the transactions by which the selling stockholders acquired their securities from us was exempt under the registration provisions of the Securities Act of 1933, as amended.

The shares of common stock referred to above are being registered to permit public sales of the shares, and the selling stockholders may offer the shares for resale from time to time pursuant to this prospectus. The selling stockholders may also sell, transfer or otherwise dispose of all or a portion of their shares in transactions exempt from the registration requirements of the Securities Act of 1933, as amended, or pursuant to another effective registration statement covering those shares. We may from time to time include additional selling stockholders in supplements or amendments to this prospectus.

The table below sets forth certain information regarding the selling stockholders and the shares of our common stock offered by them in this prospectus. The selling stockholders have not had a material relationship with us within the past three years other than as described in the footnotes to the table below or as a result of their acquisition of our shares or other securities. To our knowledge, subject to community property laws where applicable, each person named in the table has sole voting and investment power with respect to the shares of common stock set forth opposite such person’s name.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a selling stockholder and the percentage of ownership of that selling stockholder, shares of common stock issuable upon the exercise of warrants held by that selling stockholder that are convertible or exercisable, as the case may be, within 60 days of December 5, 2007, are included. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other selling stockholder. Each selling stockholder’s percentage of ownership of our outstanding shares in the table below is based upon 13,727,004 shares of common stock outstanding as of December 5, 2007.

| Selling Stockholder | Ownership Before Offering | | After Offering(1) | |
|---|---|---|---|---|
| | Number of shares of common stock beneficially owned | Number of shares offered | Number of shares of common stock beneficially owned | Percentage of common stock beneficially owned |
| Valentin Balter | 62,500(2) | 62,500(2) | — | — |
| Sandor Capital Master Fund, L.P. (3) | 454,219(4) | 454,219(4) | — | — |
| Moshe Krikeb | 80,000(5) | 80,000(5) | — | — |
| Amos Ziv and Ayelet Neuman-Ziv | 16,875(6) | 16,875(6) | — | — |
| Philip Chu | 31,250(7) | 31,250(7) | — | — |
| Michael & Sandra Irusalimsky 2000 Trust (8) | 62,500(2) | 62,500(2) | — | — |
| Yury Dubrovsky | 46,875(9) | 46,875(9) | — | — |
| London Family Trust (10) | 302,685(11) | 302,685(11) | — | — |
| Pavel Khromchenko | 62,500(2) | 62,500(2) | — | — |
| Boris Zaretsky | 6,250(12) | 6,250(12) | — | — |
| Sergey O. Sablin | 125,000(13) | 125,000(13) | — | — |
| Koni Tamratzi | 9,375(14) | 9,375(14) | — | — |
| Andrew S. Corwin | 31,250(7) | 31,250(7) | — | — |
| Lacuna Hedge Fund, LLP (15) | 567,774(16) | 567,774(16) | — | — |
| Robert S. Colman Trust UDT 3/13/85 (17) | 297,777(18) | 297,777(18) | — | — |
| Susan E. Saxton | 25,625(19) | 25,625(19) | — | — |
| Phyllis Ulreich | 35,625(19) | 35,625(19) | — | — |
| Chocolate Chip Investments LP (20) | 101,007(21) | 101,007(21) | — | — |
| Peddle Partners LLP (22) | 41,095(19) | 41,095(19) | — | — |
| Alfred Gladstone | 36,028(19) | 36,028(19) | — | — |
| DKR SoundShore Oasis Holding Fund Ltd. (23) | 226,879(13) | 226,879(13) | — | — |
| Marshall & Ilsley Trust Co., N.A., Custodian Edwin W. Colman Children’s Trust (24) | 156,250(25) | 156,250(25) | — | — |
| The Robert J. Kammer Living Trust (26) | 62,500(2) | 62,500(2) | — | — |
| Whalehaven Capital Fund Limited (27) | 218,750(28) | 218,750(28) | — | — |
| Dacanay Ventures Inc. Defined Benefit Plan (29) | 31,250(7) | 31,250(7) | — | — |
| George Rucker | 15,625(19) | 15,625(19) | — | — |
| Kiran Yadalla | 15,625(19) | 15,625(19) | — | — |
| Gemini Master Fund, Ltd. (30) | 454,219(31) | 454,219(31) | — | — |
| Pavel Ladonnikov | 125,000(13) | 125,000(13) | — | — |
| Palladium Capital Advisors, LLC (32) | 11,750(33) | 11,750(33) | — | — |
| Granite Financial Group, LLC (34) | 23,500(35) | 23,500(35) | — | — |

| Selling Stockholder | Ownership Before Offering | | After Offering(1) | |
|---|---|---|---|---|
| | Number of shares of common stock beneficially owned | Number of shares offered | Number of shares of common stock beneficially owned | Percentage of common stock beneficially owned |
| Anthony S. Thornley (36) | 62,500(2) | 62,500(2) | — | — |
| Sugarman Investment L.P. (37) | 50,000(21) | 50,000(21) | — | — |
| Robert F. Kibble Living Trust Dated 12/28/1990 (38) | 31,250(7) | 31,250(7) | — | — |
| Scott Frohman | 101,879 | 101,879 | — | — |
| Auracana LLC (39) | 25,432 | 25,432 | — | — |
| Elinor C. Ganz IRA Rollover | 25,432 | 25,432 | — | — |
| Egatniv, LLC (40) | 72,904 | 72,904 | — | — |
| Beverly Pinnas | 5,000 | 5,000 | — | — |
| Lion Brothers, Inc. | 5,000 | 5,000 | — | — |
| Susan Ganz | 10,000 | 10,000 | — | — |
| Michael and Betsy Brauser TBE | 2,014 | 2,014 | — | — |
| WFG Investments, Inc. (41) | 24,750(42) | 24,750(42) | — | — |
| Alliance Advisors, LLC(43) | 100,000 | 100,000 | — | — |
| CRT Capital Group LLC(44) | 93,750(45) | 93,750(45) | — | — |
| Vision Advisors, Inc.(46) | 100,000 | 100,000 | — | — |

(1) Represents the amount of shares that will be held by the selling stockholders after completion of this offering based on the assumptions that (a) all shares registered for sale by the registration statement of which this prospectus is part will be sold and (b) that no other shares of our common stock beneficially owned by the selling stockholders are acquired or are sold prior to completion of this offering by the selling stockholders. However, the selling stockholders may sell all, some or none of the shares offered pursuant to this prospectus and may sell other shares of our common stock that they may own pursuant to another registration statement under the Securities Act of 1933, as amended, or sell some or all of their shares pursuant to an exemption from the registration provisions of the Securities Act of 1933, as amended, including under Rule 144. To our knowledge there are currently no agreements, arrangements or understanding with respect to the sale of any of the shares that may be held by the selling stockholders after completion of this offering or otherwise.

(2) Includes 12,500 shares of common stock issuable upon the exercise of warrants

(3) John S. Lemak is the manager of Sandor Capital Master Fund, L.P. and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder. John S. Lemak is an affiliate of WFG Investments, Inc., a registered broker-dealer. Sandor Capital Master Fund, L.P. bought the securities in the ordinary course of business, and at the time of the purchase of the securities to be resold, had no agreements or understandings directly or indirectly with any person to distribute the securities.

(4) Includes 50,000 shares of common stock issuable upon the exercise of warrants.

(5) Includes 16,000 shares of common stock issuable upon the exercise of warrants.

(6) Includes 3,375 shares of common stock issuable upon the exercise of warrants.

(7) Includes 6,250 shares of common stock issuable upon the exercise of warrants.

(8) Michael Irusalimsky is the trustee of Michael & Sandra Irusalimsky 2000 Trust and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(9) Includes 9,375 shares of common stock issuable upon the exercise of warrants.

(10) Robert S. London is the trustee of London Family Trust and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(11) Includes 33,333 shares of common stock issuable upon the exercise of warrants.

(12) Includes 1,250 shares of common stock issuable upon the exercise of warrants.

(13) Includes 25,000 shares of common stock issuable upon the exercise of warrants.

(14) Includes 1,875 shares of common stock issuable upon the exercise of warrants.

(15) Wink Jones is a partner of Lacuna Hedge Fund, LLP and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(16) Includes 62,500 shares of common stock issuable upon the exercise of warrants.

(17) Robert S. Colman is the trustee of Robert S. Colman Trust and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(18) Includes 18,750 shares of common stock issuable upon the exercise of warrants.

(19) Includes 3,125 shares of common stock issuable upon the exercise of warrants.

(20) Stratum Wealth Management LLC has the discretionary right to make investment decisions with respect to the shares held by Chocolate Chip Investments LP. Charles B. Ganz is a principal of Stratum Wealth Management LLC and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(21) Includes 5,000 shares of common stock issuable upon the exercise of warrants.

(22) Stratum Wealth Management LLC has the discretionary right to make investment decisions with respect to the shares held by Peddle Partners LLP. Charles B. Ganz is a principal of Stratum Wealth Management LLC and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(23) The investment manager of DKR SoundShore Oasis Holding Fund Ltd. is DKR Oasis Management Company LP. DKR Oasis Management Company LP has the authority to do any and all acts on behalf of DKR SoundShore Oasis Holding Fund Ltd., including voting any shares held by DKR SoundShore Oasis Holding Fund Ltd. Mr. Seth Fischer is the managing partner of Oasis Management Holdings LLC, one of the general partners of DKR Oasis Management Company LP. Mr. Fischer has ultimate responsibility for investments with respect to DKR SoundShore Oasis Holding Fund Ltd.. Mr. Fischer disclaims beneficial ownership of the shares.

(24) Robert S. Colman is the trustee of the Marshall & Ilsley Trust Co., N.A Custodian Edwin W. Colman Children’s Trust and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(25) Includes 31,250 shares of common stock issuable upon the exercise of warrants.

(26) Robert Kammer is the trustee of the Robert J. Kammer Living Trust and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(27) Brian Mazzella is the chief financial officer of Whalehaven Capital Fund Limited and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(28) Includes 43,750 shares of common stock issuable upon the exercise of warrants.

(29) Rhodel A. Dacanay is the trustee of the Dacanay Ventures Inc. Defined Benefit Plan and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(30) Steven W. Winters is the manager of the Gemini Master Fund, Ltd. and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(31) Includes 50,000 shares of common stock issuable upon the exercise of warrants.

(32) Joel Padowitz is the chief executive officer of Palladium Capital Advisors, LLC and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder. Palladium Capital Advisors, LLC is a registered broker-dealer and served as one of the placement agents in connection with our private offerings in September 2007 and October 2007.

(33) Includes 4,750 shares of common stock issuable upon the exercise of warrants.

(34) Daniel J. Schreiber is the president of the Granite Financial Group, LLC and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder. Granite Financial Group, LLC is a registered broker-dealer and served as one of the placement agents in connection with our private offerings in September 2007 and October 2007.

(35) Includes 9,500 shares of common stock issuable upon the exercise of warrants.

(36) Anthony S. Thornley is a member of our board of directors.

(37) Howard Sugarman is the manager of the Sugarman Investment, L.C. and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(38) Robert F. Kibble is the trustee of the Robert F. Kibble Living Trust Dated 12/28/1990 and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(39) Glenn Kesner is the manager of Auracana LLC and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(40) Seth Farbman and Shai Stern are members of Egatniv, LLC and, in such capacity, each may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(41) Wilson Williams is the president of WFG Investments, Inc. and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder. WFG Investments, Inc. is a registered broker-dealer and served as one of the placement agents in connection with our private offerings in September 2007 and October 2007.

(42) Represents 24,750 shares of common stock issuable upon the exercise of warrants.

(43) Allen Sheinwald is a principal of Alliance Advisors, LLC and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

(44) Charles V. Baltic, III is a managing director of CRT Capital Group LLC and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder. CRT Capital Group LLC is a registered broker-dealer. CRT Capital Group LLC acquired our securities in the ordinary course of business, and at the time of the acquisition of the securities to be resold, had no agreements or understandings directly or indirectly with any person to distribute the securities.

(45) Includes 18,750 shares of common stock issuable upon the exercise of warrants.

(46) Terry McGovern is a Managing Director of Vision Advisors, Inc. and, in such capacity, may be deemed to have voting and dispositive power over the securities held for the account of this selling stockholder.

## DESCRIPTION OF SECURITIES

### Authorized Capital Stock

We have authorized 55,000,000 shares of capital stock, par value $0.001 per share, of which 50,000,000 are shares of common stock and 5,000,000 are shares of “blank-check” preferred stock, par value $0.001 per share.

### Common Stock

The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by all shares of common stock that are present in person or represented by proxy, subject to any voting rights granted to holders of any preferred stock. Except as otherwise provided by law, and subject to any voting rights granted to holders of any preferred stock, amendments to our Amended and Restated Certificate of Incorporation generally must be approved by a majority of the votes entitled to be cast by all outstanding shares of common stock. Our Amended and Restated Certificate of Incorporation does not provide for cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of preferred stock created by the board of directors from time to time, the holders of common stock will be entitled to such cash dividends as may be declared, if any, by the board of directors from funds available. Subject to any preferential rights of any outstanding series of preferred stock, upon our liquidation, dissolution or winding up, the holders of common stock will be entitled to receive pro rata all assets available for distribution to such holders.

### Preferred Stock

Our board of directors is vested with authority to divide the shares of preferred stock into series and to fix and determine the relative designation, powers, preferences and rights of the shares of any such series and the qualifications, limitations, or restrictions or any unissued series of preferred stock.

### Description of Warrants

We issued five-year warrants to purchase 517,958 shares of our common stock, at an initial cash exercise price of $4.00 per share and an initial cashless exercise price of $5.00 per share, to investors at the September 2007 and October 2007 private offerings. In addition, we also issued a three-year warrant to certain placement agents to purchase an aggregate of 33,750 shares of our common stock, at an initial cash exercise price of $4.00 per share and an initial cashless exercise price of $5.00 per share, in connection with its efforts as a placement agent in connection with the September 2007 and October 2007 private offerings. We also have outstanding a five-year warrant to purchase 18,750 shares of our common stock, at an initial cash exercise price of $4.00 per share and an initial cashless exercise price of $5.00 per share. Prior to exercise, the warrants do not confer upon holders any voting or other rights as a stockholder.

The exercise price and number of shares of our common stock issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we may, in our discretion, upon exercise, round up to the nearest whole number the number of shares of our common stock to be issued to the warrant holder or otherwise equitably adjust the exercise and exercise price per share.

We may redeem all, but not less than all, of the unexercised warrants sold in the September 2007 and October 2007 private offerings, for $0.001 per share of common stock underlying the warrants, upon 10 days prior written notice to the holders; provided that (i) the closing sale price of our common stock on the principal trading market where the common stock is approved for quotation or principal national securities exchange where the common stock is listed exceeds $6.00 per share for 10 consecutive trading days and (ii) there is an effective registration statement covering the resale of the shares of common stock underlying the warrants. Upon redemption of the warrants, the holders will have no further rights with respect to the unexercised warrants, except the right to receive the redemption price.

**Registration Rights**

***September 2007 and October 2007 Private Offering***

We have agreed to file, a registration statement (of which this prospectus forms a part) with the Securities and Exchange Commission registering for resale the shares of common stock and the shares of common stock issuable upon exercise of the related warrants issued to the investors and the placement agents in the September 2007 and October 2007 private offerings pursuant to the registration rights agreement entered into in connection with the September 2007 and October 2007 private offerings. We are required to use our best efforts to cause this registration statement to be declared effective by the Securities and Exchange Commission no later than 90 days following the initial filing of the registration statement. We have agreed to maintain the effectiveness of the registration statement until the earlier of (i) the date on which all of the registrable shares may be resold by the selling stockholders thereunder without registration and without regard to any volume limitations by reason of Rule 144(e) under the Securities Act of 1933, as amended, or any other rule of similar effect, (iii) the date that all shares of common stock have been sold or (iii) April 10, 2009.

***Convertible Promissory Notes***

We granted “piggyback” registration rights to the holders of the convertible promissory notes, whereby we will register for resale the common stock issuable upon conversion of such notes on any registration statement we filed under the Securities Act of 1933, as amended at any time on or before May 25, 2012, (except with respect to registration statements on Forms S-4 or S-8 or another similar form).

**Lock-up Agreements**

All shares of our common stock held by Transdel Pharmaceuticals Holdings, Inc.’s former stockholders and our current officers, directors and 10% stockholders, are subject to lock-up agreements. These lock-up agreements provide that such stockholders may not, sell or otherwise transfer any shares of our common stock until April 10, 2009.

**Indemnification of Directors and Officers**

Section 145 of the Delaware General Corporation Law, or DGCL, provides, in general, that a corporation incorporated under the laws of the State of Delaware, such as us, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person’s conduct was unlawful. In the case of a derivative action, a Delaware corporation may indemnify any such person against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or any other court in which such action was brought determines such person is fairly and reasonably entitled to indemnity for such expenses.

Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the DGCL, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract.

We also have director and officer indemnification agreements with each of our executive officers and directors that provide, among other things, for the indemnification to the fullest extent permitted or required by Delaware law, provided that such indemnitee shall not be entitled to indemnification in connection with any "claim" (as such term is defined in the agreement) initiated by the indemnitee against us or our directors or officers unless we join or consent to the initiation of such claim, or the purchase and sale of securities by the indemnitee in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended.

Any repeal or modification of these provisions approved by our stockholders shall be prospective only, and shall not adversely affect any limitation on the liability of a director or officer existing as of the time of such repeal or modification.

We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the DGCL would permit indemnification.

**Anti-Takeover Effect of Delaware Law**

We are subject to the provisions of Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a ''business combination'' with an ''interested stockholder'' for a period of three years after the date of the transaction in which such stockholder became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a ''business combination'' includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an ''interested stockholder'' is a stockholder who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of the voting stock.

**Transfer Agent**

The transfer agent for our common stock is American Registrar & Transfer Co., 342 East 900 South, Salt Lake City, UT 84111. We will serve as warrant agent for our outstanding warrants.

## PLAN OF DISTRIBUTION

The selling stockholders may sell all or a portion of the shares of common stock beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the shares of common stock are sold through underwriters or broker-dealers, the selling stockholders will be responsible for underwriting discounts or commissions or agent's commissions. The shares of common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;

- in the over-the-counter market;
- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;
- through the writing of options, whether such options are listed on an options exchange or otherwise;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- sales pursuant to Rule 144 under the Securities Act of 1933, as amended;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted by applicable law.

If the selling stockholders effect such transactions by selling shares of common stock to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of the shares of common stock for whom they may act as agent or to whom they may sell as principal. These discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved. In connection with sales of the shares of common stock or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers who may, in turn, engage in short sales of the shares of common stock in the course of hedging in positions they assume. The selling stockholders may also sell shares of common stock short and deliver shares of common stock covered by this prospectus to close out short positions and to return borrowed shares in connection with such short sales. The selling stockholders may also loan or pledge shares of common stock to broker-dealers that in turn may sell such shares.

The selling stockholders may pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended, amending, if necessary, the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer and donate the shares of common stock in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling stockholders and any broker-dealer participating in the distribution of the shares of common stock may be deemed to be “underwriters” within the meaning of the Securities Act of 1933, as amended, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act of 1933, as amended. At the time a particular offering of the shares of common stock is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of shares of common stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling stockholders and any discounts, commissions or concessions allowed or re-allowed or paid to broker-dealers.

Under the securities laws of some states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of common stock may not be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling stockholder will sell any or all of the shares of common stock registered by the registration statement of which this prospectus forms a part.

The selling stockholders and any other person participating in such distribution will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, without limitation, Regulation M of the Securities Exchange Act of 1934, as amended, which may limit the timing of purchases and sales of any of the shares of common stock by the selling stockholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the shares of common stock to engage in market-making activities with respect to the shares of common stock. All of the foregoing may affect the marketability of the shares of common stock and the ability of any person or entity to engage in market-making activities with respect to the shares of common stock.

We will pay all expenses of the registration of the shares of common stock pursuant to the registration rights agreement that we entered into with the selling stockholders; however, the selling stockholders will pay all underwriting discounts and selling commissions, if any.

We will indemnify the selling stockholders and we may be indemnified by the selling stockholders against liabilities, including liabilities under the Securities Act of 1933, as amended, in accordance with the registration rights agreement.

## DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to our directors, officers and persons controlling us, we have been advised that it is the Securities and Exchange Commission's opinion that such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable.

## LEGAL MATTERS

Haynes and Boone, LLP, New York, New York, will pass upon the validity of the shares of our common stock offered by the selling stockholders under this prospectus.

## EXPERTS

The financial statements for the fiscal years ended December 31, 2006 and 2005 included in this prospectus have been audited by KMJ Corbin & Company, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form SB-2, under the Securities Act of 1933, as amended, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock that the selling stockholders are offering in this prospectus.

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Our Securities and Exchange Commission filings are available to the public over the Internet at the Securities and Exchange Commission's website at http://www.sec.gov. You may also read and copy any document we file at the Securities and Exchange Commission's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. In addition, through our website, http://www.trans-pharma.com, you can access electronic copies of documents we file with the Securities and Exchange Commission, including our Annual Report on Form 10-KSB, our Quarterly Reports on Form 10-QSB, and Current Reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference in this prospectus. Access to those electronic filings is available as soon as practicable after filing with the Securities and Exchange Commission. You may also request a copy of those filings, excluding exhibits, from us at no cost. Any such request should be addressed to us at: 4225 Executive Square, Suite 460, La Jolla, California 92037, Attention: John T. Lomoro, Chief Financial Officer.

TRANSDEL PHARMACEUTICALS, INC.

INDEX TO FINANCIAL STATEMENTS

**TRANSDEL PHARMACEUTICALS, INC.**
**(A Development Stage Company)**
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

| | September 30, 2007 |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash | $ 4,298,092 |
| Prepaid consulting fees | 661,248 |
| Prepaid expenses and other current assets | 49,828 |
| Total assets | $ 5,009,168 |
| | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | |
| Current liabilities: | |
| Accounts payable | $ 200,880 |
| Accrued expenses and payroll liabilities | 42,128 |
| Total liabilities | 243,008 |
| | |
| Stockholders' equity: | |
| Preferred stock, $0.001 par value; 5,000,000 shares authorized, none outstanding | - |
| Common stock, $0.001 par value; 50,000,000 shares authorized, 13,652,004 shares outstanding | 13,652 |
| Additional paid-in capital | 10,310,278 |
| Deficit accumulated during the development stage | (5,557,770) |
| Total stockholders' equity | 4,766,160 |
| Total liabilities and stockholders' equity | $ 5,009,168 |

**TRANSDEL PHARMACEUTICALS, INC.**
**(A Development Stage Company)**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | For the Period From July 24, 1998 (Inception) Through September 30, |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 |
| Operating expenses: | | | | | |
| Selling, general and administrative | $ 247,891 | $ 67,316 | $ 499,227 | $ 271,748 | $ 2,556,164 |
| Research and development | 721,253 | 37,500 | 806,300 | 112,500 | 1,531,300 |
| Operating loss | 969,144 | 104,816 | 1,305,527 | 384,248 | 4,087,464 |
| | | | | | |
| Other income (expense): | | | | | |
| Interest expense | (1,552,903) | (5,394) | (1,563,504) | (9,920) | (1,575,755) |
| Interest income | 12,983 | - | 14,352 | - | 15,535 |
| Gain on forgiveness of liabilities | - | - | 89,914 | - | 89,914 |
| | | | | | |
| Total other income (expense), net | (1,539,920) | (5,394) | (1,459,238) | (9,920) | (1,470,306) |
| | | | | | |
| Net loss | $ (2,509,064) | $ (110,210) | $ (2,764,765) | $ (394,168) | $ (5,557,770) |
| | | | | | |
| Basic and diluted loss per common shares | $ (0.29) | $ (0.03) | $ (0.38) | $ (0.11) | |
| Weighted average common shares outstanding | 8,745,363 | 3,754,076 | 7,204,663 | 3,523,695 | |

**TRANSDEL PHARMACEUTICALS, INC.**
**(A Development Stage Company)**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**

| | Common Stock | | Additional Paid-in Capital | Deficit Accumulated During the Development Stage | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|
| | Shares | Amount | | | |
| Balance as of January 1, 2007 | 3,781,250 | $ 3,781 | $ 2,383,219 | $ (2,793,005) | $ (406,005) |
| Issuance of common stock for cash | 3,984,374 | 3,985 | 21,515 | - | 25,500 |
| Exercise of warrants and stock options | 39,063 | 39 | 211 | - | 250 |
| Capital contributions | - | - | 105,907 | - | 105,907 |
| Estimated fair value of services contributed by stockholders | - | - | 175,000 | - | 175,000 |
| Forgiveness of notes payable and interest | - | - | 241,701 | - | 241,701 |
| Issuance of restricted stock | 195,313 | 195 | (195) | - | - |
| Net proceeds from private placement offering | 1,996,834 | 1,997 | 3,733,170 | - | 3,735,167 |
| Transdel Pharmaceuticals, Inc. upon merger on September 17, 2007 | 1,849,993 | 1,850 | (1,850) | - | - |
| Issuance of common stock related to conversion of Senior Convertible notes payable and accrued interest | 1,530,177 | 1,530 | 1,528,647 | - | 1,530,177 |
| Beneficial conversion feature upon conversion of Senior Convertible notes | - | - | 1,530,177 | - | 1,530,177 |
| Issuance of common stock and warrants for consulting services | 275,000 | 275 | 549,725 | - | 550,000 |
| Stock-based compensation | - | - | 43,051 | - | 43,051 |
| Net loss | - | - | - | (2,764,765) | (2,764,765) |
| Balance as of September 30, 2007 | 13,652,004 | $ 13,652 | $ 10,310,278 | $ (5,557,770) | $ 4,766,160 |

**TRANSDEL PHARMACEUTICALS, INC.**
**(A Development Stage Company)**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Nine Months Ended September 30, | | For The Period From July 24, 1998 (Inception) Through September 30, 2007 |
|---|---|---|---|
| | 2007 | 2006 | |
| **Cash from operating activities:** | | | |
| Net loss | $ (2,764,765) | $ (394,168) | $ (5,557,770) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Estimated fair value of contributed services | 175,000 | 300,000 | 2,475,000 |
| Gain on forgiveness of liabilities | (89,914) | - | (89,914) |
| Amortization of prepaid consulting fees | 28,752 | - | 28,752 |
| Non-cash interest on notes payable | 1,563,504 | 9,920 | 1,575,755 |
| Stock-based compensation | 43,051 | - | 43,051 |
| Changes in operating assets and liabilities: | | | |
| Prepaid consulting costs | (140,000) | - | (140,000) |
| Prepaid expenses and other current assets | (44,132) | 3,060 | (49,828) |
| Accounts payable | 117,102 | 38,303 | 290,794 |
| Accrued expenses and payroll liabilities | 42,128 | - | 42,128 |
| Net cash used in operating activities | (1,069,274) | (42,885) | (1,382,032) |
| **Cash flows from financing activities:** | | | |
| Proceeds from notes payable to stockholders | - | - | 226,300 |
| Proceeds from notes payable | 1,500,000 | - | 1,500,000 |
| Capital contributions | 105,907 | 48,600 | 168,707 |
| Proceeds from purchase of common stock and exercise of warrants and stock options | 25,750 | 2,400 | 49,950 |
| Proceeds from Private Placement | 3,735,167 | - | 3,735,167 |
| Net cash provided by financing activities | 5,366,824 | 51,000 | 5,680,124 |
| **Net change in cash** | 4,297,550 | 8,115 | 4,298,092 |
| **Cash, beginning of period** | 542 | 5,204 | - |
| **Cash, end of period** | $ 4,298,092 | $ 13,319 | $ 4,298,092 |
| **Supplemental disclosure of cash flow information:** | | | |
| Issuance of common stock and warrants to consulting firms for prepaid consulting fees | $ 550,000 | $ - | $ 550,000 |
| Conversion of notes payable and accrued interest into common stock | $ 1,530,177 | $ - | $ 1,530,177 |
| Forgiveness of notes payable and accrued interest to shareholders | $ 241,701 | $ - | $ 241,701 |

**Note 1. Business Description**

Transdel Pharmaceuticals, Inc. ("Transdel" or the "Company") is a specialty pharmaceutical company focused on the development and commercialization of non-invasive topically delivered medications. The Company's lead topical drug, Ketotransdel ™, utilizes the Company's innovative proprietary Transdel ™ cream formulation to facilitate the passage of ketoprofen, a non-steroidal anti-inflammatory drug ("NSAID"), through the skin barrier to reach targeted underlying tissue where the drug exerts its prolonged localized anti-inflammatory and analgesic effect. The Company is also investigating other drug candidates and treatments for transdermal delivery using the Transdel™ platform technology for products in pain management and other therapeutic areas.

**Note 2. Basis of Presentation**

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with Form 10-QSB and Item 310(b) of Regulation S-B of the Securities and Exchange Commission. Accordingly, they do not contain all the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. The consolidated financial statements include the accounts of Transdel and its wholly owned subsidiary, Transdel Pharmaceuticals Holdings, Inc. (formally known as Trans-Pharma Corporation). All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company's management, the accompanying condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to make the financial position of the Company as of September 30, 2007, the results of operations for three and nine months ended September 30, 2007 and 2006, and cash flows for the nine months ended September 30, 2007 and 2006 not misleading. The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the years ended December 31, 2006 and 2005 contained in Form 8-K filed on September 21, 2007.

**Note 3. Merger with Public Company and Reorganization**

On September 17, 2007, Transdel entered into an Agreement of Merger and Plan of Reorganization (the "Merger Agreement") by and among Transdel, Transdel Pharmaceuticals Holdings, Inc., a privately held Nevada corporation ("Transdel Holdings"), and Trans-Pharma Acquisition Corp., a newly formed, wholly owned Delaware subsidiary of Transdel ("Acquisition Sub"). Upon closing of the merger transaction contemplated under the Merger Agreement (the "Merger"), Acquisition Sub merged with and into Transdel Holdings, and Transdel Holdings, as the surviving corporation, became a wholly owned subsidiary of Transdel.

In connection with the merger, 1,849,993 of Transdel common shares remain outstanding and all other outstanding shares of Transdel were cancelled. Also, at the closing of the Merger, each share of Transdel Holdings common stock issued and outstanding immediately prior to the closing of the Merger was exchanged for the right to receive 0.15625 of one share of Transdel's common stock. An aggregate of 8,000,000 shares of Transdel's common stock, which includes 195,313 shares of restricted stock which are subject to forfeiture, were issued to the holders of Transdel Holdings' common stock. As a result of the transaction, the former owners of Transdel Holdings became the controlling stockholders of Transdel. Accordingly, the merger of Transdel Holdings and Transdel is a reverse merger that has been accounted for as a recapitalization of Transdel Holdings.

**Note 3. Merger with Public Company and Reorganization, continued**

Effective on September 17, 2007, and for all reporting periods thereafter, Transdel's operating activities, including any prior comparative period, will include only those of Transdel Holdings. All references to shares and per share amounts in the accompanying condensed consolidated financial statements have been restated to reflect the aforementioned share exchange.

**Note 4. Summary of Significant Accounting Policies**

*Going Concern*. The accompanying condensed consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred recurring operating losses, had negative operating cash flows and has not recognized any revenues since Inception. In addition, the Company had a deficit accumulated during the development stage of $5,557,770 at September 30, 2007. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company's continuation as a going concern is dependent on its ability to obtain additional financing to fund operations, implement its business model, and ultimately, to attain profitable operations. The Company intends to raise additional financing to fund its operations. However, there is no assurance that sufficient financing will be available or, if available, on terms that would be acceptable to the Company.

The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

*Development Stage Enterprise.* The Company is a development stage company as defined in Statement of Financial Accounting Standards ("SFAS") No. 7, *Accounting and Reporting by Development Stage Enterprises*. The Company is devoting substantially all of its present efforts to establish a new business, and its planned principal operations have not yet commenced. All losses accumulated since inception have been considered as part of the Company's development stage activities.

*Research and Development.* Research and development costs are charged to expense when incurred.

*Concentrations of Credit Risk.* Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash balances at a high-quality institution that is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $100,000.

*Fair Value of Financial Instruments.* The Company has determined the fair value of its financial instruments. The amounts reported for prepaid consulting fees, accounts payable and accrued expenses approximate the fair value because of their short maturities.

*Revenue Recognition.* The Company will recognize revenues in accordance with the Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition*, as amended by SAB No. 104. SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) will be based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments will be provided for in the same period the related sales are recorded. The Company will defer any revenue for which the product has not been delivered or for which services have not been rendered or are subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or services have been rendered or no refund will be required.

**Note 4. Summary of Significant Accounting Policies, continued**

As of September 30, 2007, the Company had not generated any revenues and the Company does not anticipate that it will generate any revenues until one or more of its drug candidates are approved by the FDA and effective sales and marketing support are in place. The FDA approval process is highly uncertain and the Company cannot estimate when it will generate revenues at this time.

*Stock-Based Compensation.* Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, (''SFAS 123R''), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS 123R supersedes APB No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS No. 95, *Statement of Cash Flows*. SFAS 123R requires all share-based payments to employees, including grants of employee stock options and restricted stock grants, to be recognized in the financial statements based upon their fair values. The Company recorded total stock-based compensation of $43,051 and $0 for the nine months ended September 30, 2007 and 2006, respectively, for options and restricted stock granted and vested which is included in operating expenses. The fair value of the unvested stock options and restricted stock grants amounted to approximately $1,232,000 as of September 30, 2007.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of SFAS No. 123, EITF 96-18, *Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services* and EITF 00-18, *Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees.* As such, the value of the applicable stock-based compensation is periodically remeasured and income or expense is recognized during their vesting terms. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance with EITF 00-18, an asset acquired in exchange for the issuance of fully vested, nonforfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, the Company recorded the fair value of the common stock issued for future consulting services as prepaid consulting fees in its condensed consolidated balance sheet (see Note 6).

*Basic and Diluted Loss per Common Share*. In accordance with SFAS No. 128, *Earnings Per Share*, and SAB No. 98, basic net loss per common share is computed by dividing net loss for the period by the weighted average number of common shares outstanding during the period. Under SFAS No. 128, diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares, such as stock options and warrants outstanding during the period.

**Note 4. Summary of Significant Accounting Policies, continued**

Basic and diluted net loss applicable to common stock per share is computed using the weighted average number of common shares outstanding during the period. Common stock equivalents (prior to application of the treasury stock, if converted method) from stock options, warrants and convertible notes were 1,151,708 and 68,664 for the nine months ended September 30, 2007 and 2006, respectively, are excluded from the calculation of diluted net loss per share for all periods presented because the effect is anti-dilutive.

*Use of Estimates.* The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management are, among others, the valuation of contributed services, stock options, deferred taxes and stock-based compensation issued to non-employees. Actual results could differ from those estimates.

**Note 5. Notes Payable**

In August 2005, the Company issued seven convertible promissory notes in the aggregate amount of $226,300 to various stockholders (collectively the "Stockholders' Notes"). The Stockholders' Notes bore interest at 4% per annum and were to mature on August 25, 2010. In connection with the issuance of the Stockholders' Notes, the Company granted warrants that were exercisable into an aggregate 35,359 shares of the Company's common stock. The warrants were determined to have an insignificant fair value.

In May 2007, the holders of the Stockholders' Notes and related warrants forgave the amounts due and forfeited the related warrants. In connection with the forgiveness, the Company recorded additional paid-in capital of $241,701 equal to the value of the Stockholders' Notes and related accrued interest. Interest expense on the Stockholders' Notes was $3,150, $9,920 and $15,401 for the nine months ended September 30, 2007 and 2006 and the period from Inception to September 30, 2007, respectively.

In May and June 2007, the Company issued convertible notes payable to various lenders for an aggregate amount of $1,500,000 (collectively, the "2007 Notes"). Each of the 2007 Notes included interest at 7% per annum and were to mature on December 16, 2007 ("Maturity Date"). However, as a result of the Merger and Private Placement (see Note 6), the entire outstanding principal amount and accrued interest was converted into the Company's common stock at a conversion price equal to $1.00 per share, which resulted in the issuance of 1,530,177 shares. Also, the Company recorded a debt discount of $1,530,177, which was amortized immediately to interest expense upon the conversion of the 2007 Notes. Excluding the debt discount, interest expense on the 2007 Notes was $30,177 for the nine months ended September 30, 2007 and the period from Inception to September 30, 2007.

**Note 6. Common Stock and Capital Contributions**

Prior to the Merger, Transdel Holdings issued 25,700,000 shares of its common stock at a price of $0.001 per share for proceeds of $25,700, which includes the issuance of 200,000 shares upon the exercise of a warrant (see below). These shares were exchanged for 4,015,624 shares of the Company's common stock upon the closing of the Merger (see Note 3). Also, prior to the Merger, Transdel Holdings received capital contributions of $105,907 from Transdel Holdings' stockholders and recorded capital contributions of $175,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders, which is recorded respectively in selling, general and administrative and research and development expenses in the accompanying statements of operations.

**Note 6. Common Stock and Capital Contributions, continued**

Concurrent with the Merger, the Company sold 1,996,834 shares of common stock for gross proceeds of $3,993,667 through a private placement (the "Private Placement"). In addition, the investors received warrants to purchase 499,208 shares of common stock for a period of five years at a cash and cashless exercise price of $4.00 and $5.00 per share, respectively.

In connection with the Private Placement, the Company incurred placement agent fees totaling approximately $157,500 ($258,500 in the aggregate, including other costs) and issued warrants to purchase up to 33,750 shares of common stock for a period of three years at cash and cashless exercise price of $4.00 and $5.00 per share, respectively.

In September 2007, the Company entered into three, one-year consulting agreements with three separate firms to provide services related to investor communications. The terms per one of the agreements, among other items, include monthly payments of $7,500 plus expenses and for another agreement a non-refundable fee of $140,000. Also, in the aggregate, 275,000 shares of common stock were issued in accordance with the terms of the agreements along with a warrant to purchase 18,750 shares of common stock for a period of five years at a cash and cashless exercise price of $4.00 and $5.00, respectively. The fair value of the stock and warrants were valued at $550,000. The estimated costs of the consulting agreements, including the stock, warrants and non-refundable fee will be amortized over the one-year terms. For the three and nine months ended September 30, 2007, the Company amortized $28,752 which is included as part of selling, general and administrative expenses.

**Note 7. Stock Option Plans**

Transdel Holdings' 2005 Stock Plan provided for grant of options to employees, directors and consultants of Transdel Holdings to purchase Transdel Holdings' shares, as determined by management and the board of directors, at the fair value of such shares on the grant date. As of January 1, 2007, there were options to purchase 100,000 shares of Transdel Holdings' common stock outstanding at an exercise price of $0.001. In August 2007, 50,000 options were exercised for the issuance of Transdel Holdings' common stock for total proceeds of $50. Subsequent to this exercise, the remaining 50,000 options were cancelled. The shares of Transdel Holdings issued in relation to the exercise of the stock option were exchanged for 7,813 shares of the Company's common stock upon the closing of the merger (see Note 3).

On September 17, 2007, the Company's Board of Directors and stockholders adopted the 2007 Incentive Stock and Awards Plan (the "Plan"), which provides for the issuance of a maximum of an aggregate of 1,500,000 shares of Common Stock. The purpose of the Plan is to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons into the Company's development and financial success. Under the Plan, the Company is authorized to issue incentive stock options intended to qualify under Section 422 of the Code, non-qualified stock options and restricted stock. The Plan will be administered by the Company's Board of Directors until such time as such authority has been delegated to a committee of the board of directors.

**Note 7. Stock Option Plans, continued**

Pursuant to the terms of the Private Placement, for one year following the initial closing of the Private Placement the Company may not issue options to purchase shares of common stock at an exercise price below $2.00 per share. In addition, for a period of 18 months following the initial closing of the Private Placement, the Company may not file a registration statement, including, without limitation, a registration statement on Form S-8, covering the resale of any shares of common stock issued pursuant to an employee benefit plan.

A summary of the status of the Plan for the nine months ended September 30, 2007 is as follows:

| | |
|---|---|
| Options outstanding – Beginning of Period | - |
| Granted | 600,000 |
| Exercised | - |
| Cancelled | - |
| Options outstanding – End of Period | 600,000 |
| Options exercisable – End of Period | - |
| Weighted average fair value of the options granted | $ 1.47 |
| Weighted average remaining contractual life of the outstanding options – End of period | 10.0 years |
| Aggregate intrinsic value – End of Period | $ 600,000 |

All of the options granted to the employees and directors were issued at an exercise price of $2.00, the estimated fair market value of the common stock on the date of issuance. The Company uses the Black-Scholes option pricing model to estimate the grant-date fair value of share-based awards under SFAS 123R. The Black-Scholes model requires subjective assumptions regarding future stock price volatility and expected time to exercise, along with assumptions about the risk-free interest rate and expected dividends, which affect the estimated fair values of the Company's stock-based awards. The expected term of options granted was determined in accordance with the simplified approach as defined by SEC Staff Accounting Bulletin No. 107, *Share-Based Payment*, as the Company has very limited historical data on employee exercises and post-vesting employment termination behavior. The expected volatility is based on the historical volatilities of the common stock of comparable publicly traded companies based on the Company's belief that it currently has limited historical data regarding the volatility of its stock price on which to base a meaningful estimate of expected volatility. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the expected term of the grant effective as of the date of the grant. The Company used 0% as an expected dividend yield assumption. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods. Utilizing these assumptions, the fair value is determined at the date of grant.

In accordance with SFAS 123R, the financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates. As of September 30, 2007, management estimates that the effect of forfeitures on the financial statements will be insignificant.

As of September 30, 2007, there was approximately $873,000 of total unrecognized compensation expense related to unvested stock-based compensation under the Plan. That expense is expected to be recognized over the weighted-average period of 2.9 years.

**Note 7. Stock Option Plans, continued**

Furthermore, in August 2007, Transdel Holdings issued a restricted stock grant to an executive of the Company for 1,250,000 shares of Transdel Holdings' common stock. The restricted stock grant was exchanged for a restricted stock grant of 195,313 shares of the Company's common stock upon closing of the Merger (see Note 3). The restricted stock grant will vest 100% on March 17, 2009 (18 months subsequent to the closing of the Merger). Also, all of these shares are subject to forfeiture in the event that the executive's employment is terminated for cause or the executive resigns without good reason prior to March 17, 2009. The fair value of the grant was determined to be approximately $391,000 and will be amortized over the period of time prior to the vesting date. As of September 30, 2007, there was approximately $360,000 of total unrecognized compensation expense related to the unvested restricted stock grant.

**Note 8. Stock Warrants**

On February 27, 2007, Transdel Holdings granted a warrant to purchase 200,000 shares of its common stock in connection with services rendered. The warrant was determined to have an insignificant fair value. The warrant vested upon grant, had an exercise price of $0.001 per share and expired in February 2012. In April 2007, Transdel Holdings issued 200,000 shares of its common stock for proceeds of $200 upon exercise of the warrant. The shares issued in relation to the exercise of the warrant were exchanged for 31,250 shares of Transdel common stock upon the closing of the merger (see Note 3).

In addition to the warrants issued in conjunction with the Private Placement, the Company issued a warrant to purchase shares of its common stock to a firm in connection with a consulting agreement at an exercise price of $4.00 (or cashless exercise price of $5.00). The expiration of the outstanding warrants occurs through September 2012 at various periods (see Note 6).

A summary of the status of the warrants for the period ended September 30, 2007, is as follows:

| | Number of Shares Subject to Warrants Outstanding | Weighted-Average Exercise Price |
|---|---|---|
| Warrants outstanding – Beginning of Period | 35,359 | $ 0.006 |
| Granted | 582,958 | 3.786 |
| Exercised | (31,250) | 0.006 |
| Expired | (35,359) | 0.006 |
| Warrants outstanding – End of Period | 551,708 | $ 4.000 |
| Weighted average remaining contractual life of the outstanding warrants - End of period | 4.78 years | |

**Note 9. Recent Accounting Pronouncements**

The following pronouncements have been issued by the Financial Accounting Standards Board ("FASB"):

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN No. 48"), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN No. 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company is subject to the provisions of FIN No. 48 as of January 1, 2007. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its consolidated financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN No. 48. The cumulative effect, if any, of applying FIN No. 48 is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption. The Company did not record a cumulative effect adjustment related to the adoption of FIN No. 48. Tax years since 1992 remain subject to examination by the major tax jurisdictions in which the Company is subject to tax. The Company's policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

**Note 9. Recent Accounting Pronouncements, continued**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. The Company plans to adopt SFAS No. 157 beginning in the first quarter of 2008. The Company is currently evaluating the impact, if any, that adoption of SFAS No. 157 will have on its operating income (loss) or net earnings (loss).

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FASB Statement No. 157, *Fair Value Measurements*. The adoption of this pronouncement is not expected to have material effect on the Company's consolidated financial statements.

In June 2007, the FASB ratified a consensus opinion reached on EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities.* The guidance in EITF Issue No. 07-3 requires the Company to defer and capitalize nonrefundable advance payments made for goods or services to be used in research and development activities until the goods have been delivered or the related services have been performed. If the goods are no longer expected to be delivered nor the services expected to be performed, the Company would be required to expense the related capitalized advance payments. The consensus in EITF Issue No. 07-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2007 and is to be applied prospectively to new contracts entered into on or after December 15, 2007. Early adoption is not permitted. Retrospective application of EITF Issue No. 07-3 is also not permitted. The Company intends to adopt EITF Issue No. 07-3 effective January 1, 2008. The impact of applying this consensus will depend on the terms of the Company's future research and development contractual arrangements entered into on or after December 15, 2007.

Other recent accounting pronouncements issued by the FASB (including the EITF) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

**Note 10. Commitments and Contingencies**

Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The Company indemnifies its directors, officers, employees and agents, as permitted under the laws of the State of Delaware. The duration of the guarantees and indemnities varies, and is generally tied to the life of the agreement. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities and guarantees in the accompanying balance sheet.

**Note 11. Subsequent Event**

On October 10, 2007, the Company sold an additional 75,000 shares of common stock for gross proceeds of $150,000 related to the Private Placement. In addition, the investors received warrants to purchase 18,750 shares of common stock for a period of five years at a cash and cashless exercise price of $4.00 and $5.00 per share, respectively.

KMJ | Corbin & Company
Business Advisors Tax and Audit

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Trans-Pharma Corporation

We have audited the accompanying balance sheet of Trans-Pharma Corporation (a development stage company) (the "Company") as of December 31, 2006 and the related statements of operations, stockholders' deficit and cash flows for each of the years in the two-year period then ended, and the period from July 24, 1998 (inception) to December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trans-Pharma Corporation (a development stage company) as of December 31, 2006 and the results of its operations and its cash flows for each of the years in the two-year period then ended, and the period from July 24, 1998 (inception) to December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred recurring operating losses, has a deficit accumulated during the development stage and has not recognized any revenue as of December 31, 2006. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result form the outcome of this uncertainty.

KMJ Corbin & Company LLP

Irvine, California
July 27, 2007, except for Note 7, as to which the date is September 11, 2007

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## BALANCE SHEET

| | December 31, 2006 |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash | $ 542 |
| Prepaid expenses | 5,696 |
| | $ 6,238 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | |
| Current liabilities: | |
| Accounts payable | $ 173,692 |
| Accrued interest | 12,251 |
| Notes payable to stockholders | 226,300 |
| Total current liabilities | 412,243 |
| Commitments and contingencies | |
| Stockholders' deficit: | |
| Common stock, $0.001 par value; 100,000,000 shares authorized, 24,200,000 shares outstanding | 24,200 |
| Additional paid-in capital | 2,362,800 |
| Deficit accumulated during the development stage | (2,793,005) |
| Total stockholders' deficit | (406,005) |
| | $ 6,238 |

*See report of independent registered public accounting firm and accompanying notes to financial statements*

## STATEMENTS OF OPERATIONS

| | For The Years Ended December 31, | | For The Period From July 24, 1998 (Inception) Through December 31, |
|---|---|---|---|
| | **2006** | **2005** | **2006** |
| Operating expenses: | | | |
| Payroll and related | $ 400,000 | $ 400,000 | $ 2,300,000 |
| Selling, general and administrative | 175,180 | 136,423 | 481,937 |
| Operating loss | (575,180) | (536,423) | (2,781,937) |
| Other income (expense): | | | |
| Interest expense | (9,052) | (3,199) | (12,251) |
| Interest income | - | - | 1,183 |
| Total other expense, net | (9,052) | (3,199) | (11,068) |
| Net loss | $ (584,232) | $ (539,622) | $ (2,793,005) |
| Basic and diluted loss per common share | $ (0.03) | $ (0.05) | $ (2,793,005) |
| Weighted average common shares outstanding | 22,967,123 | 10,549,597 | |

*See report of independent registered public accounting firm and accompanying notes to financial statements*

**TRANS-PHARMA CORPORATION**
**(A DEVELOPMENT STAGE COMPANY)**

**STATEMENTS OF STOCKHOLDERS' DEFICIT**

**For The Years Ended December 31, 2006 and 2005 and**
**For The Period From July 24, 1998 (Inception) Through December 31, 2006**

| | Common Stock | | Additional Paid-in | Deficit Accumulated During the | Total Stockholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Development Stage | Deficit |
| Balance, July 24, 1998 (Inception) | - | $ - | $ - | $ - | $ - |
| Estimated fair value of services contributed by stockholders | - | - | 100,000 | - | 100,000 |
| Net loss | - | - | - | (100,000) | (100,000) |
| Balance, December 31, 1998 | - | - | 100,000 | (100,000) | - |
| Estimated fair value of services contributed by stockholders | - | - | 200,000 | - | 200,000 |
| Net loss | - | - | - | (204,000) | (204,000) |
| Balance, December 31, 1999 | - | - | 300,000 | (304,000) | (4,000) |
| Issuance of common stock for cash | 6,000,000 | 6,000 | - | - | 6,000 |
| Estimated fair value of services contributed by stockholders | - | - | 200,000 | - | 200,000 |
| Net loss | - | - | - | (213,092) | (213,092) |
| Balance, December 31, 2000 | 6,000,000 | 6,000 | 500,000 | (517,092) | (11,092) |
| Estimated fair value of services contributed by stockholders | - | - | 200,000 | - | 200,000 |
| Net loss | - | - | - | (208,420) | (208,420) |
| Balance, December 31, 2001 | 6,000,000 | 6,000 | 700,000 | (725,512) | (19,512) |

*Continued…*

| | Common Stock | | Additional Paid-in | Deficit Accumulated During the | Total Stockholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Development Stage | Deficit |
| Estimated fair value of services contributed by stockholders | - | - | 200,000 | - | 200,000 |
| Net loss | - | - | - | (228,217) | (228,217) |
| Balance, December 31, 2002 | 6,000,000 | 6,000 | 900,000 | (953,729) | (47,729) |
| Estimated fair value of services contributed by stockholders | - | - | 200,000 | - | 200,000 |
| Net loss | - | - | - | (207,196) | (207,196) |
| Balance, December 31, 2003 | 6,000,000 | 6,000 | 1,100,000 | (1,160,925) | (54,925) |
| Estimated fair value of services contributed by stockholders | - | - | 400,000 | - | 400,000 |
| Net loss | - | - | - | (508,226) | (508,226) |
| Balance, December 31, 2004 | 6,000,000 | 6,000 | 1,500,000 | (1,669,151) | (163,151) |
| Capital contributions | - | - | 14,200 | - | 14,200 |
| Issuance of common stock for cash | 15,700,000 | 15,700 | - | - | 15,700 |
| Exercise of stock options | 100,000 | 100 | - | - | 100 |
| Estimated fair value of services contributed by stockholders | - | - | 400,000 | - | 400,000 |
| Net loss | - | - | - | (539,622) | (539,622) |
| Balance, December 31, 2005 | 21,800,000 | 21,800 | 1,914,200 | (2,208,773) | (272,773) |

*Continued…*

**STATEMENTS OF STOCKHOLDERS' DEFICIT - CONTINUED**

**For The Years Ended December 31, 2006 and 2005 and**
**For The Period From July 24, 1998 (Inception) Through December 31, 2006**

| | Common Stock | | Additional Paid-in | Deficit Accumulated During the | Total Stockholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Development Stage | Deficit |
| Capital contributions | - | - | 48,600 | - | 48,600 |
| Exercise of stock options | 2,400,000 | 2,400 | - | - | 2,400 |
| Estimated fair value of services contributed by stockholders | - | - | 400,000 | - | 400,000 |
| Net loss | - | - | - | (584,232) | (584,232) |
| Balance, December 31, 2006 | 24,200,000 | $ 24,200 | $ 2,362,800 | $ (2,793,005) | $ (406,005) |

*See report of independent registered public accounting firm and accompanying notes to financial statements*

**TRANS-PHARMA CORPORATION**
**(A DEVELOPMENT STAGE COMPANY)**

**STATEMENTS OF CASH FLOWS**

| | For The Years Ended December 31, | | For The Period From July 24, 1998 (Inception) Through December 31, |
|---|---|---|---|
| | **2006** | **2005** | **2006** |
| Cash flows from operating activities: | | | |
| Net loss | $ (584,232) | $ (539,622) | $ (2,793,005) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Estimated fair value of contributed services | 400,000 | 400,000 | 2,300,000 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses | (1,998) | 981 | (5,696) |
| Accounts payable | 121,516 | 46,650 | 173,692 |
| Accrued interest | 9,052 | 3,199 | 12,251 |
| Net cash used in operating activities | (55,662) | (88,792) | (312,758) |
| Cash flows from financing activities: | | | |
| Proceeds from notes payable to stockholders | - | 30,000 | 226,300 |
| Capital contributions | 48,600 | 14,200 | 62,800 |
| Proceeds from purchase of common stock | - | 15,700 | 21,700 |
| Proceeds from exercise of stock options | 2,400 | 100 | 2,500 |
| Net cash provided by financing activities | 51,000 | 60,000 | 313,300 |
| Net change in cash | (4,662) | (28,792) | 542 |
| Cash, beginning of period | 5,204 | 33,996 | - |
| Cash, end of period | $ 542 | $ 5,204 | $ 542 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the year for interest | $ - | $ - | |
| Cash paid during the year for income taxes | $ - | $ - | |
| Non-cash financing activity: | | | |
| Conversion of advances to notes payable to stockholders | $ - | $ 196,300 | |

*See report of independent registered public accounting firm and accompanying notes to financial statements*

## NOTE 1 — ORGANIZATION AND NATURE OF OPERATIONS

Organization and Nature of Operations

Trans-Pharma Corporation (the "Company") was formed as a C Corporation under the laws of the State of Nevada on July 24, 1998 ("Inception"). The Company is based in San Diego, California.

The Company is in the pharmaceutical industry and holds a U.S. patent that covers the Transdel™ technology for transdermal drug delivery. The patent was contributed by the founders upon formation of the Company. The Company's lead topical drug candidate, Ketotransdel™, utilizes the proprietary Transdel™ cream formulation to facilitate the passage of ketoprofen, a non-steroidal anti-inflammatory drug ("NSAID"), through the epidermis and into underlying tissues. Ketotransdel™ provides an alternative to oral administration of cyclooxygenase-2 selective NSAIDs ("COX-2 inhibitors") and non-selective NSAIDs, which when administered orally are associated with increased risk of adverse cardiovascular events, gastrointestinal and other adverse complications. The Company has successfully completed a clinical trial for acute soft-tissue pain and soreness with Ketotransdel™. The Company presently intends to conduct additional clinical studies and pharmacological and toxicological studies of Ketotransdel™. The Company plans to obtain approval from the Food and Drug Administration ("FDA") in order to market and distribute this product.

At present, all of the clinical, manufacturing and pharmacological and toxicological work will be managed by third party contractors and consultants. The Company will be exploring marketing or distribution arrangements or corporate partner arrangements to market and distribute its products. The Company is evaluating whether it is feasible to continue outsourcing significant business functions such as clinical trials, manufacturing and sales and marketing or if building its own infrastructure to carry out these functions is necessary or desirable. The Company has not generated any revenues and the Company does not anticipate that it will generate any revenues until one or more of its drug candidates are approved by the FDA and effective sales and marketing support is in place. The FDA approval process is highly uncertain and the Company cannot estimate when it will generate revenues, if at all.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The accompanying financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, the Company has incurred recurring operating losses, had negative operating cash flows of $55,662 and $88,792 in 2006 and 2005, respectively, and has not recognized any revenue since Inception. In addition, the Company had a deficit accumulated during the development stage of $2,793,005 and negative working capital of $406,005 at December 31, 2006. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The Company's continuation as a going concern is dependent on its ability to obtain additional financing to fund operations, implement its business model, and ultimately, to attain profitable operations. The Company intends to raise additional financing to fund its operations. However, there is no assurance that sufficient financing will be available or, if available, on terms that would be acceptable to the Company.

Subsequent to December 31, 2006, the Company sold 25,700,000 shares of common stock for proceeds of $25,700 and issued convertible notes to various lenders for an aggregate of $1,500,000 (see Note 7).

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Development Stage Enterprise

The Company is a development stage company as defined in Statement of Financial Accounting Standards (“SFAS”) No. 7, *Accounting and Reporting by Development Stage Enterprises*. The Company is devoting substantially all of its present efforts to establish a new business, and its planned principal operations have not yet commenced. All losses accumulated since inception have been considered as part of the Company’s development stage activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management are, among others, the valuation of contributed services, stock options, warrants and deferred taxes. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash. The Company maintains its cash balances at high-quality institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $100,000. At times, the Company’s cash balances may exceed the amount insured by the FDIC. At December 31, 2006, the Company had no cash balances which exceeded the insured limit.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Fair Value of Financial Instruments

The fair values of the Company's cash, accounts payable and accrued expenses approximate carrying values due to their short maturities. The Company cannot determine the estimated fair value of notes payable to stockholders as the transactions originated with related parties and instruments similar to the notes payable could not be located.

Revenue Recognition

The Company will recognize revenues in accordance to the Securities and Exchange Commission Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition*, as amended by SAB No. 104. SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) will be based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments will be provided for in the same period the related sales are recorded. The Company will defer any revenue for which the product has not been delivered or for which services have not been rendered or are subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or services have been rendered or no refund will be required.

As of December 31, 2006, the Company had not generated any revenues and the Company does not anticipate that it will generate any revenues until one or more of its drug candidates are approved by the FDA and effective sales and marketing support are in place. The FDA approval process is highly uncertain and the Company cannot estimate when it will generate revenues at this time.

Income Taxes

The Company determines its income taxes under the asset and liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under the asset and liability method, deferred income tax assets and liabilities are calculated and recorded based upon the future tax consequences of temporary differences by applying enacted statutory tax rates applicable to future periods for differences between the financial statements carrying amounts and the tax basis of existing assets and liabilities. Generally, deferred income taxes are classified as current or non-current in accordance with the classification of the related asset or liability. Those not related to an asset or liability, are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse. Valuation allowances are provided for significant deferred income tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Basic and Diluted Loss per Common Share

Basic loss per share is calculated by dividing net loss by the weighted average common shares outstanding during the period. Diluted net loss per share reflects the potential dilution to basic loss per share that could occur upon conversion or exercise of securities, options or other such items to common shares using the treasury stock method, based upon the weighted average fair value of the Company's common shares during the period. During the years ended December 31, 2006 and 2005, the Company did not have any potentially dilutive securities and no common stock equivalents were considered in the calculation of the weighted average number of shares outstanding because they would be anti-dilutive.

Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004) ("SFAS No. 123(R)"), *Share-Based Payment*, to provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS No. 123(R) replaces SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), and supersedes Accounting Principles Board Opinion ("APB") No. 25. SFAS No. 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB No. 25, as long as the footnotes to financial statements disclosed what net income (loss) would have been had the preferable fair-value-based method been used. There would have been no effect to the Company's net loss had it been accounting for its stock based compensation under SFAS No. 123 during 2005.

SFAS No. 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's statement of operations, reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company adopted SFAS No. 123(R) in 2006. As a result of the adoption, the Company did not record any fair value-based compensation expense for options granted or vested during 2006.

Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB No. 25 as allowed under SFAS No. 123. Under the intrinsic value method, stock-based compensation expense would be recognized in the Company's statements of operations for option grants to employees below the fair market value of the underlying stock at the date of grant.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

SFAS No. 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. Due to the Company's loss position, there were no such tax benefits during the year ended December 31, 2006.

Prior to the adoption of SFAS No. 123(R), those benefits would have been reported as operating cash flows had the Company received any tax benefits related to stock option exercises.

*Description of 2005 Stock Plan*

The Company's stock option plan provides for grant of options to employees and directors of the Company to purchase the Company's shares, as determined by management and the board of directors, at the fair value of such shares on the grant date. The options generally vest upon grant date and have a ten-year term. As of December 31, 2006, the Company is authorized to issue up to 5,000,000 shares under this plan and has approximately 2,400,000 shares available for future issuances.

*Summary of Assumptions and Activity*

The fair value of stock-based awards to employees and directors is calculated using the Black-Scholes option pricing model even though the model was developed to estimate the fair value of freely tradeable, fully transferable options without vesting restrictions, which differ significantly from the Company's stock options. The Black-Scholes model also requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the pricing term of the grant effective as of the date of the grant. The expected volatility is based on the historical volatility of publicly filing companies who are comparable to the Company and in a similar line of business. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods. The fair value of options granted during 2006 and 2005 was estimated using the following weighted-average assumptions:

| | 2006 | 2005 |
|---|---|---|
| Stock options: | | |
| Expected term (in years) | 10.0 | 10.0 |
| Expected volatility | 85% | 85% |
| Risk-free interest rate | 5.23% | 4.50% |
| Dividend yield | - | - |

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

A summary of option activity as of December 31, 2006 and changes during each of the two years then ended, is presented below:

| | December 31, 2006 | | | |
|---|---|---|---|---|
| | | Weighted-Average | | |
| | Shares | Exercise Price | Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
| Options outstanding and exercisable at January 1, 2005 | - | $ - | | |
| Options granted | 350,000 | 0.001 | | |
| Options forfeited | - | - | | |
| Options exercised | (100,000) | 0.001 | | |
| Options outstanding and exercisable at December 31, 2005 | 250,000 | 0.001 | | |
| Options granted | 2,250,000 | 0.001 | | |
| Options forfeited | - | - | | |
| Options exercised | (2,400,000) | 0.001 | | |
| Options outstanding and exercisable at December 31, 2006 | 100,000 | $ 0.001 | 8.6 | $ - |

The weighted-average grant date fair value of options granted during 2006 and 2005 was $0. Upon the exercise of options, the Company issues new shares from its authorized shares.

As of December 31, 2006, there was $0 of total unrecognized compensation cost related to employee and director stock option compensation arrangements.

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company is subject to the provisions of FIN 48 as of January 1, 2007. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. The cumulative effect, if any, of applying FIN 48 is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption. The Company did not record a cumulative effect adjustment related to the adoption of FIN 48. Tax years since 1998 remain subject to examination by the major tax jurisdictions in which the Company is subject to tax. The Company's policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after December 15, 2007. The Company plans to adopt SFAS No. 157 beginning in the first quarter of 2008. The Company is currently evaluating the impact, if any, that adoption of SFAS No. 157 will have on its operating income (loss) or net income (loss).

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*. The adoption of this pronouncement is not expected to have material effect on the Company's financial statements.

Other recent accounting pronouncements issued by the FASB (including the Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future financial statements.

**NOTE 3 —NOTES PAYABLE TO STOCKHOLDERS**

In August 2005, the Company issued seven convertible promissory notes in the aggregate amount of $226,300 to various stockholders. The convertible notes bore interest at 4% per annum and were to mature on August 25, 2010 (the "Maturity Date"). If prior to the Maturity Date, the Company sells shares of its common stock for aggregate gross proceeds of not less than $1,000,000 ("Financing"), the Company shall cause the entire outstanding principal amount and accrued interest to convert into common stock at a conversion price equal to the per share offering price of the common stock sold in the Financing.

In connection with the issuance of the notes payable to stockholders, the Company granted warrants that are exercisable into an aggregate of 226,300 shares of the Company's common stock. The warrants were determined to have an insignificant fair value (see Note 5).

Interest expense on these notes was $9,052, $3,199, and $12,251 for the years ended December 31, 2006 and 2005 and the period from Inception to December 31, 2006, respectively.

**NOTE 3 —NOTES PAYABLE TO STOCKHOLDERS, continued**

Subsequent to December 31, 2006, the notes payable with interest were forgiven and the related warrants to stockholders were forfeited (see Note 7).

**NOTE 4 — INCOME TAXES**

At December 31, 2006, the Company has available for federal and state income tax purposes a net operating loss carryforwards of approximately $495,000, expiring through the year 2025, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company, it is more likely than not that the benefits will not be realized.

Pursuant to Internal Revenue Code Sections 382 and 383, the use of the Company's net operating loss and credit carryforwards may be limited if a cumulative change in ownership of more than 50% occurs within a three-year period. The annual limitation may result in the expiration of net operating losses and credits before utilization.

Deferred tax assets consist primarily of the tax effect of net operating loss carryforwards. The Company has provided a full valuation allowance on the deferred tax assets because of the uncertainty regarding realizability. The valuation allowance increased approximately $20,000 and $15,000 during the years ended December 31, 2006 and 2005 respectively.

Components of deferred tax assets as of December 31, 2006 are as follows:

| | |
|---|---|
| Non-current: | |
| Net operating loss carry forward | $ 195,000 |
| Valuation allowance | (195,000) |
| Net deferred asset | $ - |

**NOTE 5 — STOCKHOLDER S' DEFICIT**

Common Stock and Capital Contributions

During the year ended December 31, 2006, the Company completed the following transactions:

- Issued 2,400,000 shares of common stock under stock options at a strike price of $0.001 per share for proceeds of $2,400.

- Received additional capital contributions of $48,600 made by the Company's stockholders.

**NOTE 5 — STOCKHOLDER S' DEFICIT, continued**

- Recorded capital contributions of $400,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders, which is recorded as payroll and related in the accompanying statements of operations.

During the year ended December 31, 2005, the Company completed the following transactions:

- Sold 15,700,000 shares of common stock at a price of $0.001 per share for proceeds of $15,700.
- Issued 100,000 shares of common stock under stock options at a strike price of $0.001 per share for proceeds of $100.
- Received additional capital contributions of $14,200 from the Company's stockholders.
- Recorded capital contributions of $400,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders, which is recorded as payroll and related in the accompanying statements of operations.

During the year ended December 31, 2004, the Company completed the following transactions:

- Recorded capital contributions of $400,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders.

During the year ended December 31, 2003, the Company completed the following transactions:

- Recorded capital contributions of $200,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders.

During the year ended December 31, 2002, the Company completed the following transactions:

- Recorded capital contributions of $200,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders.

During the year ended December 31, 2001, the Company completed the following transactions:

- Recorded capital contributions of $200,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders.

**NOTE 5 — STOCKHOLDER S' DEFICIT, continued**

During the year ended December 31, 2000, the Company completed the following transactions:

- Sold 6,000,000 shares of common stock at a price of $0.001 per share for proceeds of $6,000.

- Recorded capital contributions of $200,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders.

During the year ended December 31, 1999, the Company completed the following transactions:

- Recorded capital contributions of $200,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders.

During the period ended December 31, 1998, the Company completed the following transactions:

- Recorded capital contributions of $100,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders.

Warrants

In connection with the convertible notes payable issued in August 2005 (see Note 3), the Company granted warrants to purchase 226,300 shares of common stock. The warrants vested upon grant, have a weighted-average exercise price of $0.001 per share, and expire in August 2010. The weighted-average grant date fair value of warrants granted during 2005 was $0.

The following summarizes the warrant activity during 2006 and 2005:

| | Total Shares | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding—December 31, 2004 | — | — |
| Granted | 226,300 | $ 0.001 |
| Exercised | — | — |
| Canceled | — | — |
| Outstanding—December 31, 2005 | 226,300 | $ 0.001 |
| Granted | — | — |
| Exercised | — | — |
| Canceled | — | — |
| Outstanding—December 31, 2006 | 226,300 | $ 0.001 |

**NOTE 5 — STOCKHOLDER S' DEFICIT, continued**

The fair value of warrants granted was estimated using the following weighted-average assumptions:

| | 2005 |
|---|---|
| Expected term (in years) | 5.0 |
| Expected volatility | 85% |
| Risk-free interest rate | 4.50% |
| Dividend yield | - |

Subsequent to December 31, 2006, all warrants were cancelled (see Note 7).

**NOTE 6 — COMMITMENTS AND CONTINGENCIES**

Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The Company indemnifies its directors, officers, employees and agents, as permitted under the laws of the State of Nevada. The duration of the guarantees and indemnities varies, and is generally tied to the life of the agreement. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities and guarantees in the accompanying balance sheet.

Litigation

The Company is, from time to time, involved in various legal and other proceedings which arise in the ordinary course of operating its business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not materially affect the financial position or results of operations of the Company.

**NOTE 7 - SUBSEQUENT EVENTS**

In May 2007, the holders of the convertible notes payables and warrant agreements entered into on August 25, 2005 forgave the amounts due and forfeited the related warrants (see Note 3). In connection with the forgiveness, the Company will record additional paid in capital of approximately $241,000.

On May 24, 2007, the Company entered into a mutual release agreement with a vendor, settling a balance of $170,914. In accordance with the mutual release agreement, the Company paid $81,000 and recognized a gain of $89,914

**NOTE 7 - SUBSEQUENT EVENTS, continued**

The Company issued 25,700,000 shares of common stock for cash at a price of $0.001 per share for proceeds of $25,700, which includes the issuance of 200,000 shares upon the exercise of warrants for $200 of proceeds (see below), and received capital contributions in the aggregate amount of approximately $106,000 subsequent to December 31, 2006.

Recorded capital contributions of $175,000 (the estimated fair value of the services contributed) in connection with services contributed by stockholders, which is recorded as payroll and related in the accompanying statements of operations.

On February 27, 2007, the Company granted a warrant to purchase 200,000 shares of common stock in connection with services rendered. The warrant vested upon grant, had an exercise price of $0.001 per share, and expired in February 2012. In April 2007, the warrant was exercised.

In May and June 2007, the Company issued convertible notes payable to various lenders for an aggregate amount of $1,500,000 (collectively, the “2007 Notes”). Each of the 2007 Notes bears interest at 7% per annum and matures on December 16, 2007 ("Maturity Date"). If prior to the Maturity Date, the Company merges with another company ("Pubco") that has a security approved for quotation on the OTC Bulletin Board ("Pubco Merger") or other trading market and Pubco simultaneously sells shares of its common stock for aggregate gross proceeds of not less than $2,500,000 ("Pubco Financing"), the Company shall cause the entire outstanding principal amount and accrued interest to convert into Pubco common stock at a conversion price equal to one-half of the per share offering price of the Pubco common stock sold in Pubco Financing. In the event of a Pubco Merger and Pubco Financing, the Company would record a debt discount of $1,500,000, which would be amortized immediately to interest expense upon the conversion of the 2007 Notes. If a Pubco Merger has not occurred by the Maturity Date, then at the option of the lender, each of the 2007 Notes shall convert into a pro rata portion of such number of shares of the Company's common stock that represents 15% of the Company's outstanding common stock on the Maturity Date. The 2007 Notes are not convertible until the earlier of the Pubco Merger and Pubco Financing or the Maturity Date.

The Company entered into a lab agreement with DPT Laboratories (“DPT”) during May 2007 to produce the product Ketopfofen Cream. The agreement required the Company to pay DPT $50,000 upon signature, $150,000 after two weeks of the project start date, and $100,000 after fourteen weeks of the project start date. In May and July 2007, the Company paid and expensed, in the aggregate, $200,000 related to this agreement.

In July 2007, the Company commenced a private offering (the “Offering”) for a minimum of 30 units and a maximum of 50 units of a to be identified publicly-traded company (“Pubco”) that would acquire all of the capital stock and business of the Company. Each unit is comprised of 50,000 shares of Pubco’s common stock and a detachable redeemable warrant to purchase 12,500 shares of Pubco’s common stock with a cash exercise price of $4.00 per share and a cashless exercise price of $5.00 per share, for a per unit purchase of $100,000.

**NOTE 7 - SUBSEQUENT EVENTS, continued**

Immediately prior to the initial closing of the Offering by Pubco, a wholly-owned subsidiary of Pubco will be merged with the Company in a transaction, intended to be tax-free, commonly referred to as a reverse merger. As a result, the Company will become a wholly-owned subsidiary of Pubco and all of the outstanding common stock of the Company will be converted into stock of Pubco. Immediately after the merger, the officers and directors of Pubco will resign and the management of the Company will control such positions; therefore, effecting a change of control. As a result, the transaction will be recorded as a reverse merger whereby the Company will be considered to be the accounting acquirer as it will retain control of Pubco after the merger.

Effective August 21, 2007, the Company issued 50,000 shares of common stock in connection with the exercise of stock options at a price of $0.001 per share for proceeds of $50. Also, 50,000 stock options previously held were forfeited.

On August 22, 2007, the Company awarded and the Board of Directors approved issuing 1,250,000 shares of restricted stock to an officer of the Company. The restricted stock will 100% vest eighteen months following the consummation of a merger of the Company with a publicly traded company or a subsidiary of a publicly traded company.

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

### Item 24. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law (the "DGCL") provides, in general, that a corporation incorporated under the laws of the State of Delaware, such as us, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. In the case of a derivative action, a Delaware corporation may indemnify any such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or any other court in which such action was brought determines such person is fairly and reasonably entitled to indemnity for such expenses.

Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the DGCL, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract.

We also have director and officer indemnification agreements with each of our executive officers and directors that provide, among other things, for the indemnification to the fullest extent permitted or required by Delaware law, provided that such indemnitee shall not be entitled to indemnification in connection with any "claim" (as such term is defined in the agreement) initiated by the indemnitee against us or our directors or officers unless we join or consent to the initiation of such claim, or the purchase and sale of securities by the indemnitee in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended.

Any repeal or modification of these provisions approved by our stockholders shall be prospective only, and shall not adversely affect any limitation on the liability of a director or officer existing as of the time of such repeal or modification.

We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the DGCL would permit indemnification.

### Item 25. Other Expenses of Issuance and Distribution.

We are paying all of the selling stockholders' expenses related to this offering, except that the selling stockholders will pay any applicable underwriting discounts and commissions. The fees and expenses payable by us in connection with this Registration Statement are estimated as follows:

| | | |
|---|---|---|
| SEC Registration Fee | $ | 352.27 |
| Accounting Fees and Expenses | | 10,000.00 |
| Legal Fees and Expenses | | 45,000.00 |
| Miscellaneous Fees and Expenses | | 4,647.73 |
| Total | $ | 60,000.00 |

**Item 26. Recent Sales of Unregistered Securities.**

On September 17, 2007, we issued 1,530,177 shares of our common stock to 14 investors upon conversion of promissory notes in the aggregate principal and accrued interest amount of $1,530,177. The issuance of these shares was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. Each of the 14 investors is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended.

On September 17, 2007, we issued an aggregate of 275,000 shares of our common stock and a five-year redeemable warrant to purchase 18,750 shares of our common stock to three firms as compensation for investor relations services. The issuance of these shares was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. Each firm is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended.

On September 17, 2007, in connection with the September 2007 private offering, we accepted subscriptions for $3,993,667 or 39.9 units, with each unit consisting of 50,000 shares of common stock and a five-year redeemable warrant to purchase 12,500 shares of common stock at an initial cash exercise price of $4.00 per share and an initial cashless exercise price of $5.00 per share. Each unit was sold for $100,000 and we accepted subscriptions for partial units. In total, on September 17, 2007, we issued 1,996,834 shares of common stock and warrants to purchase up to 499,208 shares of common stock. The securities were offered and sold to investors in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. Each of the persons and/or entities receiving our securities is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended.

On September 17, 2007, we issued three-year redeemable warrants to purchase an aggregate of 33,750 shares of our common stock at an initial cash exercise price of $4.00 per share and an initial cashless exercise price of $5.00 per share to three placements agents in connection with the September 2007 private offering. The issuance of these securities was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof. Each placement agent is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act.

On October 10, 2007, we accepted additional subscriptions for $150,000 or 1.5 units, resulting in the issuance of 75,000 shares of our common stock and five-year redeemable warrants to purchase up to 18,750 shares of common stock at an initial cash exercise price of $4.00 per share and an initial cashless exercise price of $5.00 per share. The securities were offered and sold to investors in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder. Each of the persons and/or entities receiving our securities is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended.

**Item 27. Exhibits.**

| Exhibit No. | Description |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of September 17, 2007, by and among Transdel Pharmaceuticals, Inc., Transdel Pharmaceuticals Holdings, Inc. and Trans-Pharma Acquisition Corp. Incorporation (incorporated herein by reference to Exhibit 2.1 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007). |
| 3.1 | Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission September 13, 2007) |

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|---|---|
| 3.2 | Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commissions September 13, 2007) |
| 5.1** | Opinion of Haynes and Boone, LLP |
| 10.1 | Form of September 2007 and October 2007 Private Offering Subscription Agreement (incorporated herein by reference to Exhibit 10.1 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
| 10.2 | Form of Warrant to purchase Common Stock (incorporated herein by reference to Exhibit 10.2 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
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| 10.5 | Placement Agent Agreement, dated September 17, 2007, between Transdel Pharmaceuticals Holdings, Inc. and Granite Financial Group, LLC (incorporated herein by reference to Exhibit 10.5 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
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| 10.7 | Placement Agent Agreement, dated September 17, 2007, by and between Transdel Pharmaceuticals Holdings, Inc. and Palladium Capital Advisors, LLC (incorporated herein by reference to Exhibit 10.7 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
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| 10.9 | Assignment of Employment Agreement, dated September 17, by and among Transdel Pharmaceuticals Holdings, Inc., Transdel Pharmaceuticals, Inc. and Juliet Singh, Ph.D. (incorporated herein by reference to Exhibit 10.9 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
| 10.10 | Employment Agreement, dated June 27, 2007, by and between Transdel Pharmaceuticals Holdings, Inc. and Juliet Singh, Ph.D. (incorporated herein by reference to Exhibit 10.10 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
| 10.11 | Transdel Pharmaceuticals, Inc. 2007 Incentive Stock and Awards Plan (incorporated herein by reference to Exhibit 10.11 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |

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| 10.12 | Form of 2007 Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.12 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
| 10.13 | Form of 2007 Non-Qualified Stock Option Agreement (incorporated herein by reference to Exhibit 10.13 the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
| 10.14* | Stock Purchase Agreement, dated as of September 17, 2007, by and between Transdel Pharmaceuticals, Inc. and Rolf Harms |
| 10.15* | Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations, dated as of September 17, 2007, by and between Transdel Pharmaceuticals, Inc. and Bywater Resources Holdings Inc. |
| 10.16 | Form of Lock-Up Agreement (incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K of Transdel Pharmaceuticals, Inc. filed with the Securities and Exchange Commission on September 21, 2007) |
| 10.17*# | Research and Development Services Agreement, dated October 11, 2007, by and between DPT Laboratories, Ltd. And Transdel Pharmaceuticals Holdings, Inc. |
| 14* | Amended and Restated Code of Ethics and Business Conduct |
| 21* | List of Subsidiaries |
| 23.1* | Consent of KMJ Corbin & Company |
| 23.2** | Consent of Haynes and Boone, LLP (included in Exhibit 5.1) |
| 24.1* | Power of Attorney (included on Signature Page) |

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* filed herewith
** to be filed by amendment
# We have requested confidential treatment with respect to the referenced exhibit

**Item 28. Undertakings.**

The undersigned registrant hereby undertakes that it will:

1. File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

i. Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended;

ii. Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the forgoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table in the effective registration statement.

iii. Include any additional or changed material information on the plan of distribution.

2. For determining any liability under the Securities Act of 1933, as amended, treat each post-effective amendment as a new registration statement for the securities offered, and the offering of the securities at that time to be the initial *bona fide* offering of those securities.

3. File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

4. For determining liability of the undersigned small business issuer under the Securities Act of 1933, as amended, to any purchaser in the initial distribution of the securities, the undersigned small business issuer undertakes that in a primary offering of securities of the undersigned small business issuer pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned small business issuer will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned small business issuer relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned small business issuer or used or referred to by the undersigned small business issuer;

iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned small business issuer or its securities provided by or on behalf of the undersigned small business issuer; and

iv. Any other communication that is an offer in the offering made by the undersigned small business issuer to the purchaser.

5. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as express in the Securities Act of 1933, as amended and is, therefore, unenforceable.

6. Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contact of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

**SIGNATURES**

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of La Jolla, State of California on December 7, 2007.

TRANSDEL PHARMACEUTICALS, INC.

By: /s/ Juliet Singh, Ph.D.
Name: Juliet Singh, Ph.D.
Title: Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that the undersigned officers and directors of Transdel Pharmaceuticals, Inc., a Delaware corporation that is filing a registration statement on Form SB-2 with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended, hereby constitute and appoint Juliet Singh and John T. Lomoro, and each of them, their true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to the registration statement, including a prospectus or an amended prospectus therein, and all other documents in connection therewith to be filed with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all interests and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Juliet Singh, Ph.D.<br>Juliet Singh, Ph.D. | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | December 7, 2007 |
| /s/ John T. Lomoro<br>John T. Lomoro | Chief Financial Officer (Principal Accounting and Financial Officer) | December 7, 2007 |
| /s/ Jeffrey J. Abrams, M.D.<br>Jeffrey J. Abrams, M.D. | Director | December 7, 2007 |
| /s/ Anthony S. Thornley<br>Anthony S. Thornley | Director | December 7, 2007 |

**EXHIBIT INDEX**

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# We have requested confidential treatment with respect to the referenced exhibit.

# STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of September 17, 2007, is made by and between Transdel Pharmaceuticals, Inc., a Delaware corporation ("Seller"), and Rolf Harms ("Buyer").

## RECITALS

A. Seller owns one thousand (1,000) shares of common stock, $0.001 par value per share (the "Shares") of Bywater Resources Holdings Inc., a Delaware corporation (the "Company"), which shares constitute, as of the date hereof, all of the issued and outstanding capital stock of the Company.

B. Buyer holds 5,550,000 shares of common stock, $0.001 par value per share, of Seller (the "Purchase Price Shares"), and Buyer has agreed to transfer such shares back to Seller for immediate cancellation (the "Repurchase").

C. In connection with the Repurchase, Buyer wishes to acquire from Seller, and Seller wishes to transfer to Buyer, the Shares, upon the terms and subject to the conditions set forth herein.

Accordingly, the parties hereto agree as follows:

1. Purchase and Sale of Stock.

(a) Purchased Shares. Subject to the terms and conditions provided below, Seller shall sell and transfer to Buyer and Buyer shall purchase from Seller, on the Closing Date (as defined in Section 1(c)), all of the Shares.

(b) Purchase Price. The purchase price for the Shares shall be the transfer and delivery by Buyer to Seller of the Purchase Price Shares, deliverable as provided in Section 2(b).

(c) Closing. The closing of the transactions contemplated in this Agreement (the "Closing") shall take place as soon as practicable following the execution of this Agreement. The date on which the Closing occurs shall be referred to herein as the Closing Date (the "Closing Date").

2. Closing.

(a) Transfer of Shares. At the Closing, Seller shall deliver to Buyer certificates representing the Shares, duly endorsed to Buyer or as directed by Buyer, which delivery shall vest Buyer with good and marketable title to all of the issued and outstanding shares of capital stock of the Company, free and clear of all liens and encumbrances.

(b) Payment of Purchase Price. At the Closing, Buyer shall deliver to Seller a certificate or certificates representing the Purchase Price Shares duly endorsed to Seller, which delivery shall vest Seller with good and marketable title to the Purchase Price Shares, free and clear of all liens and encumbrances.

3. Representations and Warranties of Seller. Seller represents and warrants to Buyer as of the date hereof as follows:

(a) Corporate Authorization; Enforceability. The execution, delivery and performance by Seller of this Agreement is within the corporate powers and has been, duly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) Governmental Authorization. The execution, delivery and performance by Seller of this Agreement requires no consent, approval, Order, authorization or action by or in respect of, or filing with, any Governmental Authority.

(c) Non-Contravention; Consents. The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby do not (i) violate the certificate of incorporation or bylaws of Seller or (ii) violate any applicable Law or Order.

4. Representations and Warranties of Buyer. Buyer represents and warrants to Seller as of the date hereof as follows:

(a) Enforceability. The execution, delivery and performance by Buyer of this Agreement are within Buyer's powers. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms, except to the extent that its enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) Governmental Authorization. The execution, delivery and performance by Buyer of this Agreement require no consent, approval, Order, authorization or action by or in respect of, or filing with, any Governmental Authority.

(c) Non-Contravention; Consents. The execution, delivery and performance by Buyer of this Agreement, and the consummation of the transactions contemplated hereby do not violate any applicable Law or Order.

(d) Purchase for Investment. Buyer is financially able to bear the economic risks of acquiring an interest in the Company and the other transactions contemplated hereby, and have no need for liquidity in this investment. Buyer has such knowledge and experience in financial and business matters in general, and with respect to businesses of a nature similar to the business of the Company, so as to be capable of evaluating the merits and risks of, and making an informed business decision with regard to, the acquisition of the Shares. Buyer is acquiring the Shares solely for their own account and not with a view to or for resale in connection with any distribution or public offering thereof, within the meaning of any applicable securities laws and regulations, unless such distribution or offering is registered under the Securities Act of 1933, as amended (the "Securities Act"), or an exemption from such registration is available. Buyer has (i) received all the information they have deemed necessary to make an informed investment decision with respect to the acquisition of the Shares, (ii) had an opportunity to make such investigation as she has desired pertaining to the Company and the acquisition of an interest therein, and to verify the information which is, and has been, made available to her and (iii) had the opportunity to ask questions of Seller concerning the Company. Buyer has received no public solicitation or advertisement with respect to the offer or sale of the Shares. Buyer realizes that the Shares are "restricted securities" as that term is defined in Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act, the resale of the Shares is restricted by federal and state securities laws and, accordingly, the Shares must be held indefinitely unless their resale is subsequently registered under the Securities Act or an exemption from such registration is available for their resale. Buyer understands that any resale of the Shares by her must be registered under the Securities Act (and any applicable state securities law) or be effected in circumstances that, in the opinion of counsel for the Company at the time, create an exemption or otherwise do not require registration under the Securities Act (or applicable state securities laws). Buyer acknowledges and consents that certificates now or hereafter issued for the Shares will bear a legend substantially as follows:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS (THE "STATE ACTS"), HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND QUALIFICATION UNDER THE STATE ACTS OR PURSUANT TO EXEMPTIONS FROM SUCH REGISTRATION OR QUALIFICATION REQUIREMENTS (INCLUDING, IN THE CASE OF THE SECURITIES ACT, THE EXEMPTIONS AFFORDED BY SECTION 4(1) OF THE SECURITIES ACT AND RULE 144 THEREUNDER). AS A PRECONDITION TO ANY SUCH TRANSFER, THE ISSUER OF THESE SECURITIES SHALL BE FURNISHED WITH AN OPINION OF COUNSEL OPINING AS TO THE AVAILABILITY OF EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION AND/OR SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY THERETO THAT ANY SUCH TRANSFER WILL NOT VIOLATE THE SECURITIES LAWS.

Buyer understands that the Shares are being sold to her pursuant to the exemption from registration contained in Section 4(1) of the Securities Act and that Seller is relying upon the representations made herein as one of the bases for claiming the Section 4(1) exemption.

(e) Liabilities. Following the Closing, Seller will have no debts, liabilities or obligations relating to the Company or its business or activities, whether before or after the Closing, and there are no outstanding guaranties, performance or payment bonds, letters of credit or other contingent contractual obligations that have been undertaken by Seller directly or indirectly in relation to the Company or its business and that may survive the Closing.

(f) Title to Purchase Price Shares. Buyer is the sole record and beneficial owners of the Purchase Price Shares. At Closing, Buyer will have good and marketable title to the Purchase Price Shares, which Purchase Price Shares are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Seller, except for restrictions on transfer as contemplated by applicable securities laws.

(g) Capitalization. As of the date hereof, Seller owns the Shares, which interests represent 100% of the authorized, issued and outstanding capital stock of the Company. The Shares are duly authorized, validly issued, fully-paid, non-assessable and free and clear of any Liens.

5. Indemnification and Release.

(a) Indemnification. Buyer covenants and agrees to indemnify, defend, protect and hold harmless Seller, and its officers, directors, employees, stockholders, agents, representatives and affiliates (collectively, together with Seller, the "Seller Indemnified Parties") at all times from and after the date of this Agreement from and against all losses, liabilities, damages, claims, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation), whether or not involving a third party claim and regardless of any negligence of any Seller Indemnified Party (collectively, "Losses"), incurred by any Seller Indemnified Party as a result of or arising from (i) any breach of the representations and warranties of Buyer set forth herein or in certificates delivered in connection herewith, (ii) any breach or nonfulfillment of any covenant or agreement on the part of Buyer under this Agreement, (iii) any debt, liability or obligation of the Company, whether incurred or arising prior to the date hereof or after, (iv) any debt, liability or obligation of Seller for actions taken prior to that certain merger by and between Seller and Trans-Pharma Corporation, a Nevada corporation (the "Merger"), including, without limitation, any amounts due or owing to any former officer, director or Affiliate of Seller, (v) the conduct and operations of the business of the Company whether before or after the Closing, (vi) claims asserted against the Company whether arising before or after the Closing, or (vii) any federal or state income tax payable by Seller and attributable to the transaction contemplated by this Agreement or activities prior to the Merger or with respect to the Company after the Merger.

(b) Third Party Claims.

(i) If any claim or liability (a "Third-Party Claim") should be asserted against any of the Seller Indemnified Parties (the "Indemnitee") by a third party after the Closing for which Buyer has an indemnification obligation under the terms of Section 5(a), then the Indemnitee shall notify Buyer (the "Indemnitor") within 20 days after the Third-Party Claim is asserted by a third party (said notification being referred to as a "Claim Notice") and give the Indemnitor a reasonable opportunity to take part in any examination of the books and records of the Indemnitee relating to such Third-Party Claim and to assume the defense of such Third-Party Claim and in connection therewith and to conduct any proceedings or negotiations relating thereto and necessary or appropriate to defend the Indemnitee and/or settle the Third-Party Claim. The expenses (including reasonable attorneys' fees) of all negotiations, proceedings, contests, lawsuits or settlements with respect to any Third-Party Claim shall be borne by the Indemnitor. If the Indemnitor agrees to assume the defense of any Third-Party Claim in writing within 20 days after the Claim Notice of such Third-Party Claim has been delivered, through counsel reasonably satisfactory to Indemnitee, then the Indemnitor shall be entitled to control the conduct of such defense, and shall be responsible for any expenses of the Indemnitee in connection with the defense of such Third-Party Claim so long as the Indemnitor continues such defense until the final resolution of such Third-Party Claim. The Indemnitor shall be responsible for paying all settlements made or judgments entered with respect to any Third-Party Claim the defense of which has been assumed by the Indemnitor. Except as provided in subsection (ii) below, both the Indemnitor and the Indemnitee must approve any settlement of a Third-Party Claim. A failure by the Indemnitee to timely give the Claim Notice shall not excuse Indemnitor from any indemnification liability except only to the extent that the Indemnitor is materially and adversely prejudiced by such failure.

(ii) If the Indemnitor shall not agree to assume the defense of any Third-Party Claim in writing within 20 days after the Claim Notice of such Third-Party Claim has been delivered, or shall fail to continue such defense until the final resolution of such Third-Party Claim, then the Indemnitee may defend against such Third-Party Claim in such manner as it may deem appropriate and the Indemnitee may settle such Third-Party Claim, in its sole discretion, on such terms as it may deem appropriate. The Indemnitor shall promptly reimburse the Indemnitee for the amount of all settlement payments and expenses, legal and otherwise, incurred by the Indemnitee in connection with the defense or settlement of such Third-Party Claim. If no settlement of such Third-Party Claim is made, then the Indemnitor shall satisfy any judgment rendered with respect to such Third-Party Claim before the Indemnitee is required to do so, and pay all expenses, legal or otherwise, incurred by the Indemnitee in the defense against such Third-Party Claim.

(c) Non-Third-Party Claims. Upon discovery of any claim for which Buyer has an indemnification obligation under the terms of this Section 5 which does not involve a claim by a third party against the Indemnitee, the Indemnitee shall give prompt notice to Buyer of such claim and, in any case, shall give Buyer such notice within 30 days of such discovery. A failure by Indemnitee to timely give the foregoing notice to Buyer shall not excuse Buyer from any indemnification liability except to the extent that Buyer is materially and adversely prejudiced by such failure.

(d) Release. Buyer, on behalf of herself and her Related Parties, hereby releases and forever discharges Seller and its individual, joint or mutual, past and present representatives, Affiliates, officers, directors, employees, agents, attorneys, stockholders, controlling persons, subsidiaries, successors and assigns (individually, a "Releasee" and collectively, "Releasees") from any and all claims, demands, proceedings, causes of action, orders, obligations, contracts, agreements, debts and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity, which Buyer or any of her Related Parties now have or have ever had against any Releasee. Buyer hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Releasee, based upon any matter released hereby. "Related Parties" shall mean, with respect to Buyer, (i) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with Buyer, (ii) any Person in which Buyer holds a Material Interest or (iii) any Person with respect to which Buyer serves as a general partner or a trustee (or in a similar capacity). For purposes of this definition, "Material Interest" shall mean direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of voting securities or other voting interests representing at least ten percent (10%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least ten percent (10%) of the outstanding equity securities or equity interests in a Person.

(e) Waiver. Buyer understands and agrees that all of his rights, if any, under California Civil Code Section 1542 are expressly waived. Buyer understand that Section 1542 provides as follows:

> A general release does not extend to claims that a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him, must have materially affected his settlement with the debtor.

Buyer understands that waiving his rights under California Civil Code Section 1542 means that even if he should eventually suffer some damage arising out of his employment or relationship with Seller, that he will not be able to make any claim for those damages, even as to claims which may now exist, but which he does not know exist, and which if known would have affected his decision to sign this Agreement.

6. Definitions. As used in this Agreement:

(a) "Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with the first Person. For the purposes of this definition, "Control," when used with respect to any Person, means the possession, directly or indirectly, of the power to (i) vote 10% or more of the securities having ordinary voting power for the election of directors (or comparable positions) of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" have meanings correlative to the foregoing;

(b) "Governmental Authority" means any domestic or foreign governmental or regulatory authority;

(c) "Law" means any federal, state or local statute, law, rule, regulation, ordinance, code, Permit, license, policy or rule of common law;

(d) "Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset. For purposes of this Agreement, a Person will be deemed to own, subject to a Lien, any property or asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset;

(e) "Order" means any judgment, injunction, judicial or administrative order or decree;

(f) "Permit" means any government or regulatory license, authorization, permit, franchise, consent or approval; and

(h) "Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

7. Miscellaneous.

(a) Counterparts. This Agreement may be signed in any number of counterparts, each of which will be deemed an original but all of which together shall constitute one and the same instrument.

(b) Amendments and Waivers.

(i) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(ii) No failure or delay by any party in exercising any right, power or privilege hereunder will operate as a waiver thereof nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by Law.

(c) Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer (including by operation of Law) any of its rights or obligations under this Agreement without the consent of each other party hereto.

(d) No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted successors and assigns and nothing herein expressed or implied will give or be construed to give to any Person, other than the parties hereto, those referenced in Section 5 above, and such permitted successors and assigns, any legal or equitable rights hereunder.

(e) Governing Law. This Agreement will be governed by, and construed in accordance with, the internal substantive law of the State of Delaware.

(f) Headings. The headings in this Agreement are for convenience of reference only and will not control or affect the meaning or construction of any provisions hereof.

(g) Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof of this Agreement.

(h) Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance is held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the remainder of the provisions of this Agreement (or the application of such provision in other jurisdictions or to Persons or circumstances other than those to which it was held invalid, illegal or unenforceable) will in no way be affected, impaired or invalidated, and to the extent permitted by applicable Law, any such provision will be restricted in applicability or reformed to the minimum extent required for such provision to be enforceable. This provision will be interpreted and enforced to give effect to the original written intent of the parties prior to the determination of such invalidity or unenforceability.

(i) Notices. Any notice, request or other communication hereunder shall be given in writing and shall be served either personally, by overnight delivery or delivered by mail, certified return receipt and addressed to the following addresses:

(a) If to Buyer:

Rolf Harms
300 Park Avenue, Suite 1700
New York, NY 10022

With a copy to:

Anslow & Jaclin, LLP
195 Route 9 South, Suite 204
Manalapan, New Jersey 07726
Attention: Gregg Jaclin, Esq.

(b) If to Seller:

Transdel Pharmaceuticals, Inc.
4225 Executive Square
Suite 460
La Jolla, CA 92037
Attn: Juliet Singh, Ph.D.

With a copy to:

Haynes and Boone, LLP
153 East 53rd Street
Suite 4900
New York, New York 10022
Attention: Harvey J. Kesner, Esq.

and

Foley & Lardner LLP
402 West Broadway
Suite 2100
San Diego, California 92101
Attention: Adam C. Lenain, Esq.

[Signature Page Follows]

**[SIGNATURE PAGE TO STOCK PURCHASE AGREEMENT]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered, effective as of the date first above written.

TRANSDEL PHARMACEUTICALS, INC.

By: /s/ Juliet Singh, Ph.D.
Juliet Singh, Ph.D.
Chief Executive Officer

/s/ Rolf Harms
Rolf Harms

**AGREEMENT OF CONVEYANCE, TRANSFER AND ASSIGNMENT OF ASSETS AND ASSUMPTION OF OBLIGATIONS**

This Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations ("Transfer and Assumption Agreement") is made as of September 17, 2007, by Transdel Pharmaceuticals, Inc., a Delaware corporation ("Assignor"), and Bywater Resources Holdings Inc., a Delaware corporation and a wholly-owned subsidiary of Assignor ("Assignee").

WHEREAS, Assignor is an exploration stage company engaged in the business of exploring the CARTER 1 mineral claim for commercially viable deposits of copper-gold minerals (the "Business"); and

WHEREAS, Assignor desires to convey, transfer and assign to Assignee, and Assignee desires to acquire from Assignor, all of the assets of Assignor relating to the operation of the Business, and in connection therewith, Assignee has agreed to assume all of the liabilities of Assignor relating to the Business, on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual promises and agreements contained herein, the parties hereto, intending to be legally bound hereby, agree as follows:

**Section 1. Assignment.**

**1.1. Assignment of Assets**. For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by Assignor, Assignor does hereby assign, grant, bargain, sell, convey, transfer and deliver to Assignee, and its successors and assigns, all of Assignor's right, title and interest in, to and under the assets, properties and business, of every kind and description, wherever located, real, personal or mixed, tangible or intangible, owned, held or used in the conduct of the Business (the "Assets"), including, but not limited to, the Assets listed on Exhibit A hereto, and identified in part by reference to Assignor's balance sheet as of May 31, 2007, filed with Securities and Exchange Commission as part of Assignor's annual report on Form 10-KSB on August 29, 2007 (the "Balance Sheet"). Notwithstanding anything to the contrary contained herein, the term Assets shall not include either the assets of or the business conducted by Trans-Pharma Corporation, a Nevada corporation.

**1.2 Further Assurances**. Assignor shall from time to time after the date hereof at the request of Assignee and without further consideration execute and deliver to Assignee such additional instruments of transfer and assignment, including without limitation any bills of sale, assignments of leases, deeds, and other recordable instruments of assignment, transfer and conveyance, in addition to this Transfer and Assumption Agreement, as Assignee shall reasonably request to evidence more fully the assignment by Assignor to Assignee of the Assets.

**Section 2. Assumption.**

**2.1 Assumed Liabilities**. As of the date hereof, Assignee hereby assumes and agrees to pay, perform and discharge, fully and completely, (i) all liabilities, commitments, contracts, agreements, obligations or other claims against Assignor, whether known or unknown, asserted or unasserted, accrued or unaccrued, absolute or contingent, liquidated or unliquidated, due or to become due, and whether contractual, statutory, or otherwise associated with the Business whenever arising (the "Liabilities"), including, but not limited to, the Liabilities listed on Exhibit B, and identified in part by reference to the Balance Sheet.

**2.2** **Further Assurances**. Assignee shall from time to time after the date hereof at the request of Assignor and without further consideration execute and deliver to Assignor such additional instruments of assumption in addition to this Transfer and Assumption Agreement as Assignor shall reasonably request to evidence more fully the assumption by Assignee of the Liabilities.

**Section 3.** **Headings.** The descriptive headings contained in this Transfer and Assumption Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Transfer and Assumption Agreement.

**Section 4.** **Governing Law.** This Transfer and Assumption Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed entirely within that state, except that any conveyances of leaseholds and real property made herein shall be governed by the laws of the respective jurisdictions in which such property is located.

[*The remainder of this page is blank intentionally*.]

**[SIGNATURE PAGE TO TRANSFER AND ASSUMPTION AGREEMENT]**

IN WITNESS WHEREOF, this Transfer and Assumption Agreement has been duly executed and delivered by the parties hereto as of the date first above written.

TRANSDEL PHARMACEUTICALS, INC.

By: /s/ Juliet Singh, Ph.D.
Name: Juliet Singh, Ph.D.
Title: Chief Executive Officer

BYWATER RESOURCES HOLDINGS INC.

By: Transdel Pharmaceuticals, Inc.,
Its sole stockholder

By: /s/ Juliet Singh, Ph.D.
Name: Juliet Singh, Ph.D.
Title: Chief Executive Officer

Exhibit A

(a) CARTER 1 Property Purchase Agreement, dated February 2006, by and between Transdel Pharmaceuticals, Inc. (f/k/a Bywater Resources Inc.) and Gillian Wells.

(b) Trust Agreement, dated May 31, 2006, by and between Transdel Pharmaceuticals, Inc. (f/k/a Bywater Resources Inc.) and Rolf Harms.

(c) All of the equipment, computers, servers, hardware, appliances, implements, and all other tangible personal property that are owned by Assignor and have been used in the conduct of the Business;

(d) all inventory associated with the Business;

(e) all real property and real property leases to which Assignor is a party, and which affect the Business or the Assets;

(f) all contracts to which Assignor is a party, or which affect the Business or the Assets, including leases of personal property;

(g) all rights, claims and causes of action against third parties resulting from or relating to the operation of the Business or the Assets, including without limitation, any rights, claims and causes of action arising under warranties from vendors and other third parties;

(h) all governmental licenses, permits, authorizations, consents or approvals affecting or relating to the Business or the Assets;

(i) all accounts receivable, notes receivable, prepaid expenses and insurance and indemnity claims to the extent related to any of the Assets or the Business;

(j) all goodwill associated with the Assets and the Business;

(k) all business records, regardless of the medium of storage, relating to the Assets and/or the Business, including without limitation, all schematics, drawings, customer data, subscriber lists, statistics, promotional graphics, original art work, mats, plates, negatives, accounting and financial information concerning the Assets or Business;

(l) all internet domain names and URLs of the Business, software, inventions, art works, patents, patent applications, processes, shop rights, formulas, brand names, trade secrets, know-how, service marks, trade names, trademarks, trademark applications, copyrights, source and object codes, customer lists, drawings, ideas, algorithms, processes, computer software programs or applications (in code and object code form), tangible or intangible proprietary information and any other intellectual property and similar items and related rights owned by or licensed to Assignor used in the Business, together with any goodwill associated therewith and all rights of action on account of past, present and future unauthorized use or infringement thereof; and

(m) all other privileges, rights, interests, properties and assets of whatever nature and wherever located that are owned, used or intended for use in connection with, or that are necessary to the continued conduct of, the Business as presently conducted or planned to be conducted.

Exhibit B

(a) All liabilities in respect of indebtedness of Assignor related to the Business;

(b) product liability and warranty claims relating to any product or service of Assignor associated with the Business;

(c) taxes, duties, levies, assessments and other such charges, including any penalties, interests and fines with respect thereto, payable by Assignor to any federal, provincial, municipal or other government, domestic or foreign, incurred in the conduct of the Business;

(d) liabilities for salary, bonus, vacation pay, severance payments damages for wrongful dismissal, or other compensation or benefits relating to Assignor's employees employed in the conduct of the Business; and

(e) any liability or claim for liability (whether in contract, in tort or otherwise, and whether or not successful) related to any lawsuit or threatened lawsuit or claim (including any claim for breach or non-performance of any contract) based upon actions, omissions or events relating to the Business.

THE CONFIDENTIAL PORTIONS OF THIS EXHIBIT, WHICH HAVE BEEN REMOVED AND REPLACED WITH AN "XX", HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT UNDER RULE 406 PROMULGATED UNDER THE SECURITIES ACT OF 1933.

**RESEARCH & DEVELOPMENT SERVICES AGREEMENT**

**DPT LABORATORIES, LTD.**

**AND**

**TRANS-PHARMA CORPORATION**

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This Research & Development Services Agreement (the "Agreement") is made as of this 11th day of October 2007 (the "Effective Date") by and between 'Trans-Pharma Corporation, with its principal place of business at 4225 Executive Square, Suite 460, La Jolla, CA 92037 (hereinafter referred to as "COMPANY") and DPT Laboratories, Ltd., Texas Limited Partnership, with its principal place of business at 307 E. Josephine, San Antonio, Texas 78215, (hereinafter referred to as “DPT”).

## RECITALS

**WHEREAS,** DPT provides certain contract research and development, manufacturing, and packaging services; and

**WHEREAS,** COMPANY desires to engage DPT to provide certain research and development, manufacturing, and packaging services, as more specifically set forth in Schedule A attached hereto and the Project Protocols attached or to be attached hereto.

**NOW, THEREFORE,** in consideration of the mutual covenants hereinafter expressed, the parties agree as follows:

## 1. SERVICES

### 1.1 Project Protocol

COMPANY has requested and DPT has agreed to provide certain research and development services in connection with the Company’s product or products more particularly described on Schedule A attached hereto (the "Product") all as more particularly described in the "Project Protocol(s)" referenced below. To the extent that DPT agrees to perform any services hereunder for COMPANY, DPT shall only be obligated m use reasonable good faith efforts to accomplish the desired results as outlined in a mutually agreed upon Project Protocol. Nothing herein shall obligate DPT to achieve any specific results and DPT makes no warranties or representations that it will be able to achieve the desired results.

### 1.2 Research Projects

From time to time, COMPANY may request, in writing, that DPT evaluate, develop, manufacture, test and/or provide price quotations for certain new items which may become Products on behalf of COMPANY. Upon receipt of such a request, DPT shall determine, at its sole discretion, whether it desires to perform such services for COMPANY. If DPT elects to perform such services, DPT shall so notify COMPANY within thirty (30) days of its receipt of Company’s request. To the extent that DPT agrees to perform any services hereunder for COMPANY, DPT shall only be obligated to act in good faith and to use reasonable efforts to accomplish the desired results as outlined in a mutually agreed upon Project Protocol. Nothing herein shall obligate DPT to achieve any specific results and DPI' makes no warranties or representations that it will be able to achieve the desired results.

## 2. COSTS

### 2.1 Development Costs

DPT has submitted to COMPANY a written development proposal in the form of a Project Protocol identifying DPT's best estimate of the development costs. XX. If this estimate is acceptable to COMPANY and COMPANY so notifies DPT by approving the Project Protocol in writing, DPT may begin work as outlined in the Protocol. It is understood between both parties that, during any development project, unforeseen events may occur, including, but not limited to, termination of any further activity due to unacceptable results, significant reevaluation due to marginal results, etc. DPT will promptly notify COMPANY of any such unforeseen events before proceeding at which time either COMPANY or DPT may terminate the project or mutually agree to amend or completely revise the Project Protocol. Both parties agree that changes, including related costs, to the Project Protocol will be completely described in a written Protocol amendment, and that the approval of each amendment by both parties is required before they are accepted. In the case where the project is terminated or revised, COMPANY will be obligated to pay for all of the work performed by DPT up to that point.

### 2.2 Raw Material Costs

Raw material costs will be in accordance with the Project Protocol will be billed to COMPANY as set forth in the Project Protocol.

## 3. INVOICING & PAYMENT

### 3.1 Payment

The foregoing development costs shall be paid to DPT in accordance with DPT's standard invoicing procedures regardless of whether DPT is able to accomplish the results that COMPANY requested. All invoices shall be paid by COMPANY within thirty (30) days of Company's receipt of such invoice. A late fee of one and one-half percent (1.5%) of total invoice can be added each month for late payments. DPT, at its sole discretion, has the right to discontinue Company's credit on future orders and to put a hold on any production or shipment of Product if Company's account is not current. Such hold on production or shipment shall not constitute a breach of this Agreement by DPT. In the event credit is discontinued, a one hundred percent (100%) deposit paid by COMPANY to DPT may be required prior to DPT providing services under Project Protocols.

### 3.2 Collateral Security

As collateral security for Company's payment obligations contained in this Agreement, COMPANY grants to DPT a security interest in all raw materials, inventory, work-in-progress, and finished goods related to the Project Protocols and/or Research Projects referenced in this Agreement. Chapter 9 of the Texas Uniform Commercial Code shall govern the rights and obligations of the parties relative to the security interests granted herein.

## 4. COMPONENTS

In consideration of its expertise in the design and manufacture of the Product, and its familiarity with the component materials best suited to the manufacture of the Product, DPT shall be responsible for the acquisition of selected components of the Product, subject to their availability. All raw materials delivered to DPT and invoiced to COMPANY in accordance with Paragraph 3 of this Agreement are the sole and exclusive property of COMPANY. DPT agrees to handle and store Company's materials in accordance with applicable laws and regulations and at conditions prescribed by the manufacturer in order to maintain their quality and suitability for use.

## 5. OBSOLETE INVENTORY

Any COMPANY-specific inventory including, but not limited to, raw materials, bulk Research Product, waste by-products, testing supplies, stability samples, work-in-process, and finished goods rendered obsolete at the conclusion, revision or termination of the development project shall be shipped to COMPANY, freight collect, for destruction by the COMPANY. COMPANY shall bear one hundred percent (100%) of all destruction costs related to said obsolete inventory. The destruction shall be in accordance with all applicable laws and regulations and COMPANY shall indemnify DPT for any liability, costs or expenses, including attorney's fees and court costs, relating to Company’s failure to dispose of such inventory in accordance with such laws and regulations. COMPANY shall also provide DPT with all manifests and other applicable evidence of proper destruction as may be requested by DPT or required by applicable law.

## 6. COMPLIANCE

### 6.1 Company’s Responsibility

Company will provide DPT with a fully developed formula, process and specifications for the Product and its manufacture (collectively, the "Specifications"). Company is, and shall remain, the sole and exclusive owner of the Specifications. COMPANY shall bear sole responsibility for the validity of all test methods and appropriateness of all Specifications. In addition, COMPANY shall bear sole responsibility for all regulatory approvals, filings, and registrations and adequacy of all validation, stability, and preservative efficacy studies. XX, COMPANY shall provide to DPT the applicable Material Safety Data Sheet" ("MSDS") containing written or printed material concerning a hazardous chemical which is prepared in accordance with the regulations promulgated by the Occupational Safety & Health Administration, or any successor entity thereto, for finished products and all components necessary for the manufacture of Products. Any components or Products requiring disposal shall be presumed hazardous unless otherwise provided in the MSDS information provided. COMPANY shall also be responsible for any necessary or desired GMP audits of those component suppliers designated by COMPANY, including audit of the active pharmaceutical ingredient supplier.

### 6.2 DPT's Responsibility

DPT shall use its commercially reasonable efforts in good faith to perform each of the services set forth in each Project Protocol for the purpose of delivering the deliverables set forth in each Project Protocol. DPT will manufacture the Product in accordance with current Good Manufacturing Practices of the FDA and other applicable rules and regulations of the FDA. DPT shall maintain all original documents involving the manufacture and control for the Product including its raw materials, drug substance, and package components, including but not limited to inventory records, testing procedures and specifications, master and lot manufacturing instructions, data from testing and inspections, and original records of experimental work performed to establish capability to manufacture and test the Product. DPT shall store these original documents in a safe and organized manner so that they may be provided upon request to COMPANY or to the FDA, DEA or other Federal or State agency within twenty-four (24) hours of their request. In the event that COMPANY elects not to pursue marketing, sale, license, or transfer of the Product, DPT shall surrender all original documents to COMPANY within ten (10) business days of receipt of a written request for such.

### 6.3 Compliance Audit

COMPANY shall have the right, with DPT's prior notification, to annually conduct a compliance audit of DPT's facilities pertaining to the manufacturing, laboratory, packaging, storage, testing, shipping or receiving of the Product or its components. The aforementioned condition is not limiting to the presence of COMPANY representatives at DPT for the purpose of transferring technology or monitoring any of the activities in the Project Protocol.

### 6.4 Limited Warranty

In the event of a batch failure due to the gross negligence of DPT, DPT will replace such batch with a batch that conforms to Specifications or shall refund to the Company any sums actually paid therefore.

## 7. COMMERCIAL MANUFACTURE & SUPPLY

### 7.1 Exclusive Manufacture

It is the expectation of the parties that DPT will become the primary manufacturer of the Product. As such, the parties agree to negotiate in good faith for the purpose of entering into a full Manufacturing and Supply Agreement for the commercial production of the Product listed in Schedule A. The price which COMPANY (or its assigns) shall pay to DPT for such Product shall be based upon the Manufacturing Fee estimate provided in good faith by DPT subject to revision for final packaging configuration between DPT and COMPANY, plus raw material costs incurred by DPT for the Product. Within sixty (60) days of the development of a finished product prototype according to the Project Protocol (which shall include final primary container selection filled with Product), DPT will provide a revised estimate of the fee for manufacturing commercial quantities of product (the "Manufacturing Fee") with written support to substantiate any proposed revisions.

## 8. CONFIDENTIALITY

The Confidentiality Agreement between DPT and COMPANY dated June I, 2004 is hereby incorporated in its entirety by this reference, and shall remain in effect until the later of 0) expiration according to its terms, or (ii) five years following expiration or termination of any Manufacturing and Supply Agreement entered into between DPT and COMPANY. COMPANY acknowledges that as a contract manufacturing organization, DPT's business involves the application of its expertise, technology and know-how to numerous pharmaceutical and other products and that DPT retains the right (subject to its obligations under the applicable confidentiality provision or agreement) to apply such expertise, technology and know-how to a variety of products or services.

## 9. PROPERTY RIGHTS

With respect to property and proprietary rights, the parties agree to the following: (i) during the term of this Agreement, DPT shall adapt its knowledge, information and know-how ("know-how") in an attempt to satisfy the needs of the COMPANY in accordance with the scope of work agreed to by both parties; (ii) DPT does hereby grant to COMPANY a non-exclusive, perpetual, paid-up, royalty free, irrevocable license (including the right to sub-licenses) to such know-how or other intellectual property rights arising from the work to be performed pursuant to any applicable Project Protocol, but solely for the use, manufacture and/or commercialization of the COMPANY Product; and (iii) DPT retains the right to utilize such know-how or other intellectual property rights in the normal course of business.

## 10. DISCLAIMER

EXCEPT AS SPECIFICALLY PROVIDED HEREIN, DPT AND COMPANY MAKE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO PRODUCT, LABELING OR PACKAGING. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, TIIE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY DISCLAIMED. DPT AND COMPANY AGREE THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM BREACH OF THIS AGREEMENT.

## 11. FORCE MAJEURE

Each of the parties hereto shall be excused from the performance of its obligations hereunder in the event performance of this Agreement is prevented by force majeure and such excuse shall continue as long as the condition constituting such force majeure continues, plus thirty (30) days after the termination of such condition. For purposes of this Agreement, force majeure is defined as follows:

Causes beyond the control of COMPANY or DPT, which are not attributable to any legal violation, breach or default by either party, including acts of God, acts, regulations, or laws of any government, civil commotion, strikes, shortages of raw materials, unavailability of necessary equipment, substantial damage to or destruction of production facilities or material by fire, earthquake or storm, epidemics and failure of public utilities or common carriers.

## 12. INDEMNIFICATION

### 12.1 Indemnification by DPT

DPT agrees to indemnify COMPANY, its employees, officers, directors and representatives for any third party claims arising out of DPT's failure to comply with its obligations under the Project Protocol which are within its control, and provided such claim does not exceed the amount of insurance coverage required under Section 12.2.

### 12.2 Insurance by DPT

In furtherance of the indemnification provision contained in Section 12.1, during the term of this Agreement, DPT shall maintain in full force and effect Products Liability Insurance coverage in the minimum amounts of XX per occurrence with an annual aggregate amount of XX.

### 12.3 Indemnification by COMPANY

COMPANY agrees to indemnify DPT, its employees, officers, directors and representatives for any direct or indirect, first or third party claim, loss or damage (including reasonable attorney's fees paid or incurred by any of them) arising out of any ownership, testing, use, application, consumption, distribution, or sale of the Product. COMPANY hereby represents and warrants to DPT that all COMPANY designated formulas, components and artwork related to the Product do not violate or infringe any patent, copyright or trademark laws, and agrees to indemnify DPT, its employees, officers, directors and representatives for any claim, loss or damage including reasonable attorney's fees paid or incurred by any of them in connection therewith.

### 12.4 Insurance by COMPANY

In furtherance of the indemnification provision contained in Section 12.7., upon the execution of this Agreement, COMPANY shall procure and maintain a policy of Commercial General Liability insurance listing DPT as an additional insured in the minimum amount of XX per occurrence with an annual aggregate amount of XX. Furthermore, at such time as any clinical trial related to the Product is initiated and for a period of XX following any expiration or termination of this Agreement, COMPANY shall maintain in full force and effect: (i) Products Liability Insurance including Contractual Liability and ) Clinical Trials coverage (which includes coverage for Bodily Injury or Property Damage claims arising out of the conduct of clinical trials. Insurance coverage for subsection (i), shall list DPT as an additional insured and be in the minimum amounts of XX per occurrence with an annual aggregate amount of XX, or such lesser amount as the parties hereto agree to in writing. Such evidence of insurance coverage can be in the form of the original policy or Certificate of Insurance which shall provide that the insurer has assumed the liability as provided for herein.

## 13. BREACH & CURE

This Agreement shall become effective on the Effective Date and shall continue in effect until completion of the services contemplated by each outstanding Project Protocol. If either party defaults or breaches any of the material provisions of this Agreement, the other party may terminate this agreement upon thirty (30) days prior written notice to the defaulting party; provided that if such default or breach is cured within that thirty (30) day period, the Agreement shall continue in full force and effect.

## 14. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the successors or permitted assigns of each of the parties and may not be assigned or transferred by either party without the prior written consent of the other, except that DPT's consent will not be required for an assignment to any third party acquiring rights in the Product. In addition, the consent of the other party hereto shall not be required with regard to an assignment in connection with the transfer of substantially all the assets of either of the parties hereto. Any assignments, including but not limited to, sale, transfer, or license of brand or Products, shall not release the original party hereto from their duties and obligations under this Agreement.

**15. NOTICE**

Any notice required hereunder shall be effective upon receipt and may be served by either party on the other by personal delivery, or by sending same, post prepaid, by registered or by certified mail to the address first set forth above.

**16. INDEPENDENT CONTRACTOR**

The relationship created by this Agreement shall be strictly that of an owner and independent contractor. Neither party is hereby constituted an agent or legal representative of the other party for any purpose whatsoever, and neither party is granted any right or authority hereunder to assume or create any obligation, express or implied, or to make any representation, warranties or guarantees, except as are expressly granted or made in this Agreement.

**17. GOVERNING LAW AND DISPUTE RESOLUTION**

**17.1 Governing Law**

The validity, interpretation and effect of this Agreement shall be governed by and construed under the laws of the State of Texas, U.S.A.

**17.2 Mediation**

**THE PARTIES AGREE TO ATTEMPT TO SETTLE ANY DISPUTES THAT ARISE IN CONNECTION WITH THIS AGREEMENT THROUGH GOOD FAITH NON-BINDING MEDIATION EFFORTS. THE PARTIES AGREE THAT ANY DISPUTE THAT ARISES IN CONNECTION WITH THIS AGREEMENT WHICH IS NOT SETTLED THROUGH GOOD FAITH MEDIATION EFFORTS AND WHICH DOES NOT INVOLVE A CLAIM FOR EQUITABLE RELIEF SIIALL BE SETTLED BY ARBITRATION ACCORDING TO THE PROVISIONS OF PARAGRAPH 17.3 BELOW.**

**17.3 Arbitration**

**(i)** **ANY DISPUTE, CLAIM OR CONTROVERSY ARISING FROM OR RELATED IN ANY WAY TO THIS AGREEMENT OR THE INTERPRETATION, APPLICATION, BREACH, TERMINATION OR VALIDITY THEREOF, INCLUDING ANY CLAIM OF INDUCEMENT OF THIS AGREEMENT BY FRAUD OR OTHERWISE, NOT RESOLVED BY GOOD FAITH MEDIATION EFFORTS WILL BE SUBMITTED FOR RESOLUTION TO ARBITRATION PURSUANT TO THE COMMERCIAL ARBITRATION RULES THEN PERTAINING OF THE CENTER FOR PUBLIC RESOURCES ("CPR"), EXCEPT WHERE THOSE RULES CONFLICT WITH THESE PROVISIONS, IN WHICH CASE THESE PROVISIONS CONTROL. SUCH ARBITRATION SHALL BE HELD IN (I) COMPANY'S HOME COUNTY, IF THE DEMAND FOR ARBITRATION IS INITIATED BY DPT OR (II) BEXAR COUNTY, TEXAS, IF THE DEMAND FOR ARBITRATION IS INITIATED BY COMPANY.**

(ii) A single arbitrator shall be chosen from the CPR Panels of Distinguished Neutrals and shall be a lawyer specializing in business litigation with at least 15 years experience with a law firm of over 25 lawyers or was a judge of a court of general jurisdiction.

(iii) The parties agree to cooperate (I) to obtain selection of the arbitrator within 30 days of initiation of the arbitration, (2) to meet with the arbitrator within 30 days of selection and (3) to agree at that meeting or before upon procedures for discovery and as to the conduct of the hearing which will result in the hearing being concluded within no more than 9 months after selection of the arbitrator and in the award being rendered within 60 days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both sides within 20 days after the conclusion of the hearings. In the event no such agreement is reached, the CPR will select the arbitrator, allowing appropriate strikes for reasons of conflict or other cause and three peremptory challenges for each side. The arbitrator shall seta date for the hearing, commit to the rendering of the award within 60 days of the conclusion of the evidence at the hearing, or of any post-hearing briefing (which briefing will be completed by both sides in no more than 20 days after the conclusion of the hearings), and provide for discovery according to these time limits, giving recognition to the understanding of the parties hereto that they contemplate reasonable discovery, including document demands and depositions, but that such discovery be limited so that the time limits specified herein may be met without undue difficulty. In no event will the arbitrator allow either side to obtain more than a total of 40 hours of deposition testimony from all witnesses, including both fact and expert witnesses. In the event multiple hearing days are required, they will be scheduled consecutively to the greatest extent possible.

(iv) The arbitrator shall render an opinion setting forth findings of fact and conclusions of law with the reasons therefor stated. A transcript of the evidence adduced at the hearing shall be made and shall, upon request, be made available to either party.

(v) To the extent possible, the arbitration hearings and award will be maintained in confidence.

(vi) Any court of competent jurisdiction may enter judgment upon any award.

(vii) Each party has the right before or during the arbitration to seek and obtain from the appropriate court provisional remedies such as attachment, preliminary injunction, replevin, etc. to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration.

(viii) **EACH PARTY HERETO WAIVES ITS RIGHT TO TRIAL OF ANY ISSUE BY JURY**.

(ix) The decision of the arbitrator shall be final and binding upon all parties and their respective successors and assigns. The costs of mediation and/or arbitration, including reasonable attorney's fees, shall be borne by the losing party, as allocated by the arbitration award.

**18. SURVIVABILITY**

In the event that any term or provision of this Agreement shall violate any applicable statute, ordinance, or rule of law in any jurisdiction in which it is used, or otherwise be unenforceable, such provision shall be ineffective to the extent of such violation without invalidating any other provision hereof

**19. ENTIRE AGREEMENT**

The parties hereto acknowledge that this document and each Exhibit attached hereto and each Project Protocol arising hereunder sets forth the entire agreement and understanding of the parties and except as set out herein, supersedes all prior written or oral agreements or understandings with respect to the subject matter hereof, and shall supersede any conflicting portions of DPT's quotation and acknowledgment forms and Company's Purchase Order and other written forms. No modification of any of the terms of this Agreement, or any amendments thereto, shall be deemed to be valid unless in writing and signed by the party against whom enforcement is sought. No course of dealing or usage of trade shall be used to modify the terms and conditions herein.

**IN WITNESS WHEREOF**, the parties hereto have each caused this Agreement to be executed by their duly authorized officers as of the date first above written.

**TRANS-PHARMA CORPORATION**

By: /s/ Juliet Singh, Ph.D.

Name: Juliet Singh, Ph.d
Title: Chief Executive Officer

**DPT LABORATORIES, LTD.**

By: /s/ Marc Iacobucci

Name: Marc Iacobucci
Title: Vice President - Marketing and Project Management

**AMENDED AND RESTATED**
**CODE OF ETHICS AND BUSINESS CONDUCT**
**FOR OFFICERS, DIRECTORS AND EMPLOYEES OF**
**TRANSDEL PHARMACEUTICALS, INC.**

## 1. INTRODUCTION

The purpose of this Amended and Restated Code of Ethics and Business Conduct (this "Code") is to describe standards of ethical conduct expected of directors, officers and employees (the "Covered Persons") of Transdel Pharmaceuticals, Inc. ("Transdel") and its subsidiaries (collectively with Transdel, the "Company"). All Covered Persons will be required to attest annually to their awareness and acceptance of the provisions of the Code and to affirm their compliance with such provisions.

The Company has formulated this Code to help to ensure that Covered Persons act in accordance with applicable laws and observe the highest ethical standards in their business dealings, and believes it is fundamental to the reputation and continuing success of the Company that Covered Persons adhere to the rules and procedures set forth in this Code.

While this Code is intended to provide guidelines for ethical and professional conduct, ultimately, Covered Persons must exercise good judgment and common sense in interpreting and applying these procedures in any given situation. In cases of doubt, Covered Persons should consult with the Chairman of the Governance Committee.

## 2. TREAT IN AN ETHICAL MANNER THOSE TO WHOM THE COMPANY HAS AN OBLIGATION

The Company and all Covered Persons are committed to honesty, just management, fairness, providing a safe and healthy environment free from the fear of retribution, and respecting the dignity due everyone. For the communities in which we live and work we are committed to act as concerned and responsible neighbors, reflecting all aspects of good citizenship. For our stockholders we are committed to pursuing sound growth and earnings objectives and to exercising prudence in the use of our assets and resources. For our suppliers and partners we are committed to fair competition and the sense of responsibility required of a good customer and teammate.

## 3. PROMOTE A POSITIVE WORK ENVIRONMENT

The Company is committed to the recruitment, training, development and retention of competent staff. All employment decisions, including selection for employment, promotion and transfer, must be made solely on merit, experience and other work-related criteria.

All employees want and deserve a workplace where they feel respected, satisfied, and appreciated. We respect cultural diversity and will not tolerate harassment or discrimination of any kind — especially involving race, color, religion, gender, age, national origin, disability, and veteran or marital status.

Providing an environment that supports honesty, integrity, respect, trust, responsibility, and citizenship permits us the opportunity to achieve excellence in our workplace. While everyone who works for the Company must contribute to the creation and maintenance of such an environment, our executives and management personnel assume special responsibility for fostering a work environment that is free from the fear of retribution and will bring out the best in all of us. Supervisors must be careful in words and conduct to avoid placing, or seeming to place, pressure on subordinates that could cause them to deviate from acceptable ethical behavior.

## 4. PROTECT YOURSELF, YOUR FELLOW EMPLOYEES, AND THE WORLD WE LIVE IN

We are committed to providing a drug-free, safe and healthy work environment, and to observing sound business practices. Covered Persons are expected to report to work free from the influence of drugs and alcohol. We will strive, at a minimum, to do no harm and where possible, to make the communities in which we work a better place to live. Each of us is responsible for compliance with environmental, health and safety laws and regulations.

## 5. KEEP ACCURATE AND COMPLETE RECORDS

We must maintain accurate and complete Company records. The Company applies the highest ethical standards in its financial and non-financial reporting and follows the rules and regulations of the Securities and Exchange Commission’s and other applicable rules regarding financial reporting.

Covered Persons may not manipulate financial accounts, records or reports or take any action or cause any person to take any action to influence, coerce, manipulate or mislead auditors for the purpose of rendering financial statements misleading.

All transactions must be approved and executed in accordance with internal control procedures established by the Company and must be recorded in such a manner as to permit the preparation of accurate financial statements for the Company.

Covered Persons may not knowingly alter, destroy, mutilate, conceal, cover up, falsify or make a false entry in any record, document or tangible object with the intent either to impair the object’s integrity or availability for use in an official proceeding or to obstruct, impede, direct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States or any bankruptcy case, or in relation to or contemplation of any such matter or case.

Covered Persons who prepare, maintain or have custody of the Company’s records and reports should endeavor to ensure that these documents are: (i) accurate and complete and clearly reflect the assets and transactions of the Company; (ii) safeguarded from loss or destruction; (iii) retained for specified periods of time in accordance with the Company’s document retention policy; and (iv) maintained in confidence.

Covered Persons involved in the Company's disclosure process, including the Chief Executive Officer and all senior financial officers, including the Chief Financial Officer and Principal Accounting Officer, are required to be familiar with and comply with the Company's internal reporting practices. This includes the Company's disclosure controls and procedures and internal controls over financial reporting, to the extent relevant to his or her area of responsibility so that the Company's public reports with the SEC comply in all material respects with the applicable federal securities laws and SEC rules. In addition, such persons with supervisory authority regarding SEC filings should, to the extent appropriate within his or her area of responsibility, consult with other Company officers and employees and take other appropriate steps regarding these disclosures with the goal of making full, fair, accurate, timely and understandable disclosure.

Each Covered Person who is involved in the Company's disclosure process must:

- Familiarize himself or herself with the disclosure requirements applicable to the Company as well as the business and financial operations of the Company;

- Not knowingly misrepresent, or cause others to misrepresent, facts about the Company to others, whether within or outside the Company, including to the Company's independent auditors, governmental regulators and self-regulatory organizations; and

- Properly review and critically analyze proposed disclosure for accuracy and completeness (or, where appropriate, delegate this task to others).

## 6. OBEY THE LAW

We will conduct our business in accordance with all applicable laws, rules and regulations of the countries, states and cities where we do business. Ignorance of the applicable laws, rules or regulations will not serve as a defense should such laws, rules or regulations be contravened. Compliance with the law does not comprise our entire ethical responsibility. Rather, it is a minimum, absolutely essential condition for performance of our duties. In conducting business, we shall:

### A. STRICTLY ADHERE TO ALL ANTITRUST LAWS

Officer, directors and employees must strictly adhere to all antitrust laws. These laws prohibit practices in restraint of trade such as price fixing and boycotting suppliers or customers. They also bar pricing intended to run a competitor out of business; disparaging, misrepresenting, or harassing a competitor; stealing trade secrets; bribery; and kickbacks.

## B. STRICTLY COMPLY WITH ALL SECURITIES LAWS

In our role as a publicly owned company, we must always be alert to and comply with the securities laws and regulations of the United States and other countries.

### I. DO NOT ENGAGE IN SPECULATIVE OR INSIDER TRADING

Federal law and Company policy prohibits Covered Persons, directly or indirectly through their families or others, from purchasing or selling Company stock while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public information. To avoid even the appearance of impropriety, Company policy also prohibits Covered Persons from trading options on the open market in Company stock under any circumstances.

Material, non-public information is any information that could reasonably be expected to affect the price of a stock. If a Covered Person is considering buying or selling a stock because of inside information they possess, they should assume that such information is material. It is also important for the Covered Person to keep in mind that if any trade they make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, Covered Persons should always carefully consider how their trades would look from this perspective.

Two simple rules can help protect you in this area: (1) Do not use non-public information for personal gain. (2) Do not pass along such information to someone else who has no need to know.

This guidance also applies to the securities of other companies for which you receive information in the course of your employment at the Company.

### II. BE TIMELY AND ACCURATE IN ALL PUBLIC REPORTS

As a public company, the Company must be fair and accurate in all reports filed with the Securities and Exchange Commission. Officers, directors and management of the Company are responsible for ensuring that all reports are filed in a timely manner and that they fairly present the financial condition and operating results of the Company.

Securities laws are vigorously enforced. Violations may result in severe penalties including forced sales of parts of the business and significant fines against the Company. There may also be sanctions against Covered Persons including substantial fines and prison sentences.

The Chief Executive Officer and Chief Financial Officer will certify to the accuracy of reports filed with the SEC in accordance with the Sarbanes-Oxley Act of 2002. Officers and directors who knowingly or willingly make false certifications may be subject to criminal penalties or sanctions including fines and imprisonment.

**7. AVOID CONFLICTS OF INTEREST**

Covered Persons have an obligation to give their complete loyalty to the best interests of the Company. They should avoid any action that may involve, or may appear to involve, a conflict of interest with the Company. A “conflict of interest” exists when a person’s private interest interferes in any way with the interests of the Company. Covered Persons should not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair, the independence of any judgment they may need to make on behalf of the Company.

HERE ARE SOME WAYS A CONFLICT OF INTEREST COULD ARISE:

- Employment by a competitor, or potential competitor, regardless of the nature of the employment, while employed by the Company.
- Acceptance of gifts, payment, or services from those seeking to do business with the Company.
- Placement of business with a firm owned or controlled by a Covered Person or his/her family.
- Ownership of, or substantial interest in, a company that is a competitor, client or supplier.
- Acting as a consultant to a customer, client or supplier.
- Seeking the services or advice of an accountant or attorney who has provided services to the Company.

Covered Persons must report in writing to an appropriate person in the Company (i.e., Chief Executive Officer or Chairman of the Governance Committee) the existence or discovery of any circumstances, relating to such Covered Person or other Covered Persons, which constitute a conflict of interest or could create a potential conflict of interest, including any financial or other business relationships, transactions, arrangements or other interests or activities with the Company’s suppliers, customers, competitors or other persons that could create a potential conflict of interest.

If a potential conflict of interest would constitute a “related party transaction” that would be required to be disclosed pursuant to the securities laws, the terms of the proposed transaction must be reported in writing to the Company’s Chief Executive Officer or Chairman of the Governance Committee who will refer, if necessary, the matter to the Governance Committee for approval. Generally, a related party transaction is a transaction that exceeds $120,000 in amount between the Company, on the one hand, and a director or executive officer or entities related to a director or executive officer, on the other hand. If a Covered Person has any questions as to whether a proposed transaction is a “related party transaction,” the Covered Person should contact the Chief Executive Officer or Chairman of the Governance Committee for clarification.

## 8. CERTAIN INTERESTS

Each Covered Person must report in writing to the Company's Chief Executive Officer any service as an officer, director, member, manager, partner or trustee of or any investment in a company that is a customer, supplier, contractor, competitor or any person or organization having dealings with the Company where the Company's relationship with such organization is significant. For the purposes of this Code, the term "investment" means any investment beneficially owned by the Covered Person, his or her family member, nominee, or other person through which the Covered Person derives an economic benefit; provided, however, the term "investment" shall not mean any beneficial ownership of up to five percent (5%) of the outstanding securities of a publicly-held company that is a customer, supplier, contractor, or competitor of the Company.

## 9. CORPORATE OPPORTUNITY

Covered Persons should not (i) take for themselves personally opportunities that are discovered through the use of Company property, information or position; (ii) use Company property, information, or position for personal gain; or (iii) directly compete with the Company. Covered Persons owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

## 10. ACTING AS A SUPPLIER

A Covered Person may not enter into an agreement with the Company as a supplier of products and services to the Company unless he or she receives a prior written approval in accordance with this Code. This policy extends to any prospective supplier that is controlled or actively influenced by a Covered Person. Selection of a supplier, including a Covered Person, must be made in accordance with the Company's procedures and policies.

## 11. OUTSIDE ACTIVITIES

Officers and employees should avoid outside employment or activities that impair effective performance of their obligations to the Company, either because of excessive demands on their time or because the outside commitments constitute a drain away from the Company of their talents and creative energies.

Of course, reasonable participation in the activities of a trade association, professional society or charitable institution on an uncompensated basis will not be deemed to violate the Conflicts of Interest provisions of this Code.

## 12. COMPETE ETHICALLY AND FAIRLY FOR BUSINESS OPPORTUNITIES

The Company seeks to outperform its competitors fairly and honestly. Collecting information on the Company's competitors from legitimate sources to evaluate the relative merit of their products, services, and marketing methods is proper and often necessary. However, there are limits to the ways information should be acquired. Practices such as industrial espionage and stealing are obviously wrong. But so is seeking confidential information from a new employee who recently worked for a competitor, or misrepresenting your identity in the hopes of getting confidential information from a competitor. Any form of questionable intelligence gathering is strictly against this Code.

Covered Persons should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers and competitors. No Covered person should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice.

**13. AVOID ILLEGAL AND QUESTIONABLE GIFTS OR FAVORS**

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. The sale and marketing of our products and services should always be free from even the perception that favorable treatment was sought, received, or given in exchange for the furnishing or receipt of business courtesies. Covered Persons will neither give nor accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that would violate law, regulation or policies of the Company, or could cause embarrassment to or reflect negatively on the Company’s reputation. No gift or entertainment should ever be offered, given, provided or accepted by any Covered Person, his or her family members or agents unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Covered Persons may accept small gifts or favors that would be considered common business courtesies, however, no Covered Person should accept a gift or favor that might be intended to influence, or appears to influence, a business decision. Covered Persons must report to his or her supervisor the receipt of any gifts or favors.

In general, Covered Persons should not solicit entertainment, but are allowed to accept entertainment if the following criteria are met:

(a) it occurs infrequently;

(b) it arises in the normal course of business and would be considered a common business courtesy;

(c) it involves reasonable expenditures; and

(d) it takes place in settings that are appropriate and fitting.

A Covered Person shall not accept travel, vacation arrangements or similar favors or gratuities. Attending sports or theatrical events with and as a guest of a supplier or receiving sports or theatre tickets for personal use is acceptable and considered a normal business practice if kept within reasonable limits.

What is acceptable practice in the commercial business environment may be against the law or the policies of federal, state or local governments. Therefore, no gifts or business entertainment of any kind may be given to any government employee except for items of nominal value (i.e., pens, coffee mugs, etc.).

In addition, the Foreign Corrupt Practices Act (FCPA) prohibits the Company or anyone acting on its behalf from making a payment or giving a gift to a non-U.S. government official for purposes of obtaining or retaining business. The FCPA applies to the Company everywhere in the world where we do business and even applies to you if you are not a U.S. citizen.

## 14. MAINTAIN THE INTEGRITY OF CONSULTANTS, AGENTS, AND REPRESENTATIVES

Business integrity is a key standard for the selection and retention of those who represent the Company. Agents, representatives and consultants must certify their willingness to comply with the Company's policies and procedures and must never be retained to circumvent our values and principles. Paying bribes or kickbacks, engaging in industrial espionage, obtaining the proprietary data of a third party without authority, or gaining inside information or influence are just a few examples of what could give us an unfair competitive advantage and could result in violations of law.

## 15. PROTECT PROPRIETARY INFORMATION

The Company's policy is that all information developed or shared as the result of business processes is proprietary to the Company and an important asset in the operation of the Company's business, and the unauthorized use or disclosure of this information is prohibited. Keep proprietary documents protected and secure. In the course of normal business activities, suppliers, customers and competitors may sometimes divulge to you information that is proprietary to their business. Respect these confidences.

All information about the Company, its business, stockholders, customers and suppliers should be considered confidential unless the information is already known to the public. This includes, but is not limited to, confidential technology, proprietary information, trade secrets, business plans, documents, pricing and records. Covered Persons should not, without prior written authorization from the appropriate authority, acquire, use, access, copy, remove, modify, alter or disclose to any third parties, any confidential information for any purpose other than to perform their job responsibilities or in furtherance of expressly stated Company-sponsored activities.

Similarly, all Covered Persons must respect the confidentiality of their former employer's trade secrets. As a result, Covered Persons should not divulge such information to any Company's personnel or use the information while associated with the Company, unless explicit written permission by the former employer has been obtained.

Confidential information or materials in the possession of a Covered Person must be returned to the Company upon termination of employment or association with the Company. Since the Company views the protection of its confidential information as highly critical to its business, unauthorized disclosure of such information by the Covered Persons will result in disciplinary action that may include termination of employment or prosecution under applicable law.

## 16. OBTAIN AND USE COMPANY ASSETS WISELY

Personal use of Company property must always be in accordance with corporate policy. Proper use of Company property, information resources, material, facilities and equipment is your responsibility. Use and maintain these assets with the utmost care and respect, guarding against waste and abuse, and never borrow or remove Company property without management's permission. Any assets of the Company in the possession of a Covered Person must be returned to the Company upon the termination of such Covered Person's employment or association with the Company.

Any discovery, improvement, or invention made or conceived by an officer or employee, either solely or jointly with others, during the time he or she is employed by the Company which pertains or relates to the products or business in which the Company is engaged shall be the exclusive property of the Company whether or not patentable or copyrightable.

## 17. FOLLOW THE LAW AND USE COMMON SENSE IN POLITICAL CONTRIBUTIONS AND ACTIVITIES

The Company encourages its employees to become involved in civic affairs and to participate in the political process. Employees must understand, however, that their involvement and participation must be on an individual basis, on their own time and at their own expense. Contacts with governmental officials, whether direct or indirect, shall at all times be maintained as proper business relationships. Federal law prohibits corporations from donating corporate funds, goods, or services, directly or indirectly, to candidates for federal offices — this includes employees' work time. Local and state laws also govern political contributions and activities as they apply to their respective jurisdictions.

## 18. BOARD COMMITTEES

The Governance Committee is empowered to enforce this Code of Ethics. The Governance Committee will report to the Board of Directors at least once each year regarding the general effectiveness of the Company's Code of Ethics, the Company's controls and reporting procedures and the Company's business conduct.

## 19. REPORTING AND COMPLIANCE WITH THE CODE'S STANDARDS

### A. REPORTING OF VIOLATIONS

Any Covered Person having knowledge of any actions prohibited by this Code must report such activity immediately to the Chairman of the Governance Committee. Prohibited actions involving directors or executive officers should be reported to the Chairman of the Governance Committee. Suspected violations or good faith concerns regarding accounting, internal accounting controls or auditing matters should be reported directly to the Governance Committee. Covered Persons are expected to cooperate in internal investigations of misconduct.

## B. PROHIBITION AGAINST RETALIATION

It is the Company's policy not to allow retaliation against any Covered Person for reports of misconduct or suspected violation of this Code by another person made in good faith, for providing to a law enforcement officer any truthful information relating to the commission or possible commission of any offense, or for proving information on actions such Covered Person reasonably believes to be violations of securities laws, rules of the Securities and Exchange Commission, or other laws.

## C. ENFORCEMENT

The Company must ensure prompt and consistent action against violations of this Code and reporting of violators to the appropriate authorities. All management personnel of the Company shall be responsible for the enforcement of this Code. The management shall periodically review the rules and procedures contained herein with the Covered Persons to ensure that the Covered Persons understand and comply with this Code.

In some situations it is difficult to determine if a violation occurred. In order to afford a fair process by which to determine violations of the Code, the Covered Persons should keep the following in mind:

(a) make sure that the reporting person has all the facts available to him or her;

(b) use judgment and common sense in determining whether an act seems unethical or improper;

(c) discuss the situation with the supervisor or manager; and

(d) if one is unsure of what to do in any situation, he or she should ask for a guidance before acting.

## D. WAIVERS

Any waiver of this Code for any director, executive officer or senior financial officer of the Company may be granted only upon approval by the Board of Directors and must be disclosed according to the applicable securities laws and the rules of any national securities exchange on which the Company's shares are listed. A waiver of this Code for other officers or employees may be granted only by the Chief Executive Officer of the Company in writing. For purpose of this Code, a "senior financial officer" means the Company's principal financial officer, principal accounting officer, controller, and other persons performing similar functions.

## E. INTERPRETATION

All questions regarding the interpretation, scope, and application of the policies set forth in this Code should be referred to the Chairman of the Governance Committee.

## F. ACKNOWLEDGMENT

Each Covered Person will be required to sign an acknowledgment annually certifying that he or she has read, understands and agrees to abide by the policies set forth in this Code.

## G. DISCIPLINARY MEASURES

The Company shall consistently enforce the Code through appropriate means of discipline. Violations of the Code shall be promptly reported to the Chairman of the Governance Committee. Prohibited actions involving directors or executive officers should be reported to the Chairman of the Governance Committee. Pursuant to procedures adopted by it, the Governance Committee shall determine whether violations of the Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of the Company who has so violated the Code.

The disciplinary measures, which may be invoked at the discretion of the Governance Committee, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.

**CODE OF ETHICS AND BUSINESS CONDUCT**
**ACKNOWLEDGMENT**

By signing below, I acknowledge and certify that I have received, read, and understand Transdel Pharmaceuticals, Inc.'s Amended and Restated Code of Ethics and Business Conduct (the "Code").

I acknowledge that my employment relationship with the Company is terminable at will, by the Company or me, at any time, for any reason, with or without cause.

I agree (i) to comply with the Code and conduct the business of the Company in keeping with the highest ethical standards and (ii) to comply with federal, state and local laws applicable to the Company's businesses. I understand that failure to comply with the Code will lead to disciplinary action by the Company, which may include termination of my employment and/or the reduction of compensation or demotion.

(Please Print)

Name _____

Business Unit/Location _____

Position Title _____

Signature _____

Date _____

**Please sign and return entire document to the Corporate Secretary and keep a copy hereof for your own files.**

**Subsidiaries of Transdel Pharmaceuticals, Inc.**

The subsidiaries of Transdel Pharmaceuticals, Inc. (the "Registrant") as of December 5, 2007, are listed below:

| Subsidiary | Ownership | Jurisdiction |
|---|---|---|
| 1. Transdel Pharmaceuticals Holdings, Inc. (f/k/a Trans-Pharma Corporation) | 100% owned by Registrant | Nevada |

KMJ | Corbin & Company
Business Advisors Tax and Audit

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Prospectus, which is part of the Registration Statement of Transdel Pharmaceuticals, Inc. (the "Company") on Form SB-2 of our report, dated July 27, 2007, except for Note 7, as to which the date is September 11, 2007 on the financial statements of the Company as of December 31, 2006 and for each of the years in the two-year period then ended. We also consent to the use of our name as it appears under the caption "Experts."

KMJ Corbin & Company LLP
KMJ | Corbin & Company

Irvine, California
December 6, 2007

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