

United States  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-52998

**Transdel Pharmaceuticals, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**45-0567010**

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

**437 S. Hwy 101, Suite 209  
Solana Beach, CA 92075**

(Address, including zip code, of principal executive offices)

**4275 Executive Square, Suite 485, La Jolla, CA**

(Former name or former address if changed since last report.)

Registrant's telephone number, including area code: **(858) 433-2800**

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

As of February 22, 2012, 15,900,811 shares of issuer's common stock, with \$0.001 par value per share were outstanding.

**TRANSDel PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**

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**PART I  
FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**TRANSDel PHARMACEUTICALS, INC.  
(A Development Stage Company)  
CONDENSED CONSOLIDATED - BALANCE SHEETS**

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 5,553	\$ 291,462
Prepaid expenses and other current assets	70,781	60,492
Total current assets	<u>76,334</u>	<u>351,954</u>
Computer equipment, net	-	338
<b>TOTAL ASSETS</b>	<u><u>\$ 76,334</u></u>	<u><u>\$ 352,292</u></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 176,062	\$ 73,632
Accrued Phase 3 expenses	111,871	111,871
Accrued expenses and payroll liabilities	118,367	69,532
Deferred revenue	100,000	80,000
Current portion of convertible note payable and accrued interest	1,092,670	-
Total current liabilities	<u>1,598,970</u>	<u>335,035</u>
Convertible note payable and accrued interest	-	1,055,479
<b>TOTAL LIABILITIES</b>	<u><u>1,598,970</u></u>	<u><u>1,390,514</u></u>
Commitments and contingencies		
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock, 5,000,000 shares authorized, \$0.001 par value none issued and outstanding.	-	-
Common stock, 50,000,000 shares authorized, \$0.001 par value 15,900,811 and 15,932,061 issued and outstanding at June 30, 2011 and December 31, 2010, respectively.	15,901	15,932
Additional paid-in capital	16,525,038	16,412,643
Deficit accumulated during the development stage	(18,063,575)	(17,466,797)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<u>(1,522,636)</u>	<u>(1,038,222)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u><u>\$ 76,334</u></u>	<u><u>\$ 352,292</u></u>

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

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

	For The Three Months Ended June 30, 2011	For The Three Months Ended June 30, 2010	For The Six Months Ended June 30, 2011	For The Six Months Ended June 30, 2010	For the Period From July 24, 1998  (Inception) through June 30, 2011
Operating Expenses:					
Selling, general and administrative	\$ 121,429	\$ 409,810	\$ 448,033	\$ 1,165,397	\$ 9,193,686
Research and development	24,338	86,954	111,554	202,112	7,820,258
Loss from operations	<u>(145,767)</u>	<u>(496,764)</u>	<u>(559,587)</u>	<u>(1,367,509)</u>	<u>(17,013,944)</u>
Other income (expense)					
Interest expense	(18,698)	(17,671)	(37,191)	(17,671)	(1,668,425)
Interest income	-	135	-	268	127,581
Gain on settlement	-	-	-	-	375,000
Gain on forgiveness of liabilities	-	26,299	-	26,299	116,213
Total other income (expense), net	<u>(18,698)</u>	<u>8,763</u>	<u>(37,191)</u>	<u>8,896</u>	<u>(1,049,631)</u>
Net loss	<u>\$ (164,465)</u>	<u>\$ (488,001)</u>	<u>\$ (596,778)</u>	<u>\$ (1,358,613)</u>	<u>\$ (18,063,575)</u>
Net loss per common share, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	
Weighted average common shares outstanding, basic and diluted	<u>15,915,234</u>	<u>15,703,490</u>	<u>15,923,601</u>	<u>15,677,917</u>	

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

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

	For The Six Months Ended June 30, 2011	For The Six Months Ended June 30, 2010	For the Period From July 24, 1998 (Inception) through June 30, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (596,778)	\$ (1,358,613)	\$ (18,063,575)
Adjustments to reconcile net loss to net cash used in operating activities:			
Estimated fair value of contributed services	-	-	2,475,000
Gain on forgiveness of liabilities	-	(26,299)	(116,213)
Amortization of prepaid consulting fees	-	53,866	807,608
Depreciation	338	528	3,154
Non-cash interest on notes payable	37,191	17,671	1,668,425
Stock-based compensation	112,364	346,188	2,049,027
Changes in assets and liabilities:			
Prepaid consulting costs	-	-	(140,000)
Prepaid expenses and other current assets	(10,289)	36,494	(70,782)
Accounts payable	102,430	(532,509)	265,977
Accrued Phase 3 expenses	-	(205,595)	111,871
Accrued expenses and payroll liabilities	48,835	121,110	144,666
Deferred revenue	20,000	-	100,000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(285,909)</b>	<b>(1,547,159)</b>	<b>(10,764,842)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of fixed assets	-	-	(3,154)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(3,154)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from notes payable to stockholders	-	-	226,300
Proceeds from notes payable	-	1,000,000	2,500,000
Capital contributions	-	-	168,707
Net proceeds from purchase of common stock and exercise of warrants and stock options	-	-	99,450
Proceeds from Private Placements	-	-	7,779,092
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>1,000,000</b>	<b>10,773,549</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(285,909)</b>	<b>(547,159)</b>	<b>5,553</b>
CASH AND CASH EQUIVALENTS BALANCES, beginning of period	291,462	1,589,773	-
<b>CASH AND CASH EQUIVALENTS BALANCES, end of period</b>	<b>\$ 5,553</b>	<b>\$ 1,042,614</b>	<b>\$ 5,553</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Issuance of and adjustment to common stock and warrants to consulting firms for prepaid consulting fees	\$ -	\$ 208,000	\$ 432,007
Conversion of notes payable and accrued interest into common stock	\$ -	\$ -	\$ 1,530,177
Forgiveness of notes payable and accrued interest to stockholders	\$ -	\$ -	\$ 241,701
Conversion of advances to notes payable to stockholders	\$ -	\$ -	\$ 196,300

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

**TRANSDel PHARMACEUTICALS, INC.**  
**(A Development Stage Company)**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six months ended June 30, 2011 and 2010 and the period from July 24, 1998 (Inception) through June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Transdel Pharmaceuticals, Inc. (“Transdel” or the “Company”) has prepared the accompanying condensed unaudited consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. For further information, refer to the Company’s audited consolidated financial statements and footnotes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2010.

**Principles of Consolidation**

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 were 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.

Effective on September 17, 2007, and for all reporting periods thereafter, Transdel’s operating activities, including any prior comparative period, include only those of Transdel Holdings. All references to share and per share amounts in the accompanying consolidated financial statements and footnotes have been restated to reflect the aforementioned share exchange. All significant intercompany accounts and transactions have been eliminated in consolidation.

On June 20, 2011, Transdel Holdings was merged with Transdel Pharmaceuticals, Inc., at which time Transdel Holdings ceased as a corporation, and Transdel Pharmaceuticals, Inc. remains as the sole surviving corporation.

**Development Stage Enterprise**

The Company is a development stage company as defined under Financial Accounting Standards Board (“FASB”) guidance. 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.

These consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is a development stage enterprise and has sustained significant losses since inception and expects to continue to incur losses through 2012.

**Research and Development**

The Company expenses all costs related to research and development as they are incurred.

**Revenue Recognition and Deferred Revenue**

The Company will recognize revenues in accordance with FASB guidance, which 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.

As of June 30, 2011, the Company has received initial non-refundable royalty advances of \$100,000, these revenues have been deferred until certain royalty considerations are met.

As of June 30, 2011, the Company had not generated any revenues and the Company does not anticipate that it will generate any significant revenues until one or more of its drug candidates are approved by the FDA or until the Company is able to commercialize one or more of its cosmetic products. Also, effective sales and marketing support must be in place for either the drug candidates or the cosmetic products in order to generate any revenues. The FDA approval process is highly uncertain and the Company cannot estimate when it will generate revenues at this time from sales of its products.

### **Income Taxes**

Income tax expense is provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the effects of net operating loss carry forwards and differing basis, depreciation methods, and lives of depreciable assets. The deferred tax assets represent the future tax return consequences of those differences, which will be deductible when the assets are recovered.

No income tax benefit (expense) was recognized for the six months ended June 30, 2011 as a result of tax losses in this period and because deferred tax benefits, derived from the Company's prior net operating losses, were previously fully reserved, the Company had federal and California net operating loss carryforwards of approximately \$12.1 million and \$11.9 million, respectively.

The Company is subject to taxation in the United States and California. The Company's tax years for 2000 and forward are subject to examination by the United States and state tax authorities due to the carry forward of unutilized net operating losses

### **Cash and Cash Equivalents**

Cash equivalents include short-term, highly liquid investments with maturities of three months or less at the time of acquisition.

### **Concentrations of Credit Risk**

A financial instrument which potentially subjects the Company to concentrations of credit risk is cash. The Company places its cash with financial institutions deemed by management to be of high credit quality. The Federal Deposit Insurance Corporation ("FDIC") provides basic deposit coverage with limits to \$250,000 per owner. In addition to the basic insurance deposit coverage, the FDIC is providing temporary unlimited coverage for noninterest-bearing transaction accounts from December 31, 2010 to December 31, 2012. At June 30, 2011, there were no uninsured deposits.

### **Computer Equipment**

Computer equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of three years.

During the three and six months ended June 30, 2011 and 2010, the Company recorded \$74, \$338, \$264 and \$528, respectively, in depreciation expense.

### **Fair Value Measurements**

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The established fair value hierarchy prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and must be used to measure fair value whenever available.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. For example, level 3 inputs would relate to forecasts of future earnings and cash flows used in a discounted future cash flows method.

The fair values of the Company's cash and cash equivalents, accounts payable, accrued expenses and notes payable approximate carrying values due to their short term maturities.

### **Stock Based Compensation**

All share-based payments to employees, including grants of stock options to employees, directors and consultants and restricted stock grants, are recognized in the financial statements based upon their fair values.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows FASB guidance. 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 primarily recognized over the term of the consulting agreement. In accordance with FASB guidance, 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 nonforfeitable equity instruments issued for future consulting services as prepaid consulting fees in its consolidated balance sheets.

### **Basic and Diluted Loss per Common Share**

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. 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.

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 convertible notes, stock options and warrants were 3,497,867 and 3,707,730 at June 30, 2011 and 2010, 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 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 employees and non-employees. Actual results could differ from those estimates.

### **Recent Accounting Pronouncements**

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement* (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards ("IFRS"). The update contains the results of the work of the FASB and the International Accounting Standards Board to develop common requirements for measuring fair value and for disclosing fair value measurements in accordance with GAAP and IFRSs. The amendments in this update are effective for periods beginning after December 15, 2011 and as a result are not yet applicable to the Company. The Company is evaluating the impact of the update on its condensed consolidated financial statements.

### **NOTE 2. GOING CONCERN**

The accompanying 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 July 24, 1998 (Inception). In addition, the Company had a deficit accumulated during the development stage of approximately \$18.1 million at June 30, 2011. These factors 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. In order to execute the second Phase 3 clinical trial and other supportive safety studies for Ketotransdel<sup>®</sup>, which are required by the U.S. Food and Drug Administration ("FDA") to obtain final regulatory approval for Ketotransdel<sup>®</sup>, the Company will need to secure additional funds through various means, including equity and debt financing, funding from a corporate partnership or licensing arrangement or any similar financing. There can be no assurance that the Company will be able to obtain additional debt or equity financing, if and when needed, on terms acceptable to the Company. Any additional equity or debt financing may involve substantial dilution to the Company's stockholders, restrictive covenants or high interest costs. The failure to raise needed funds on sufficiently favorable terms could have a material adverse effect on the execution of the Company's business plan, operating results and financial condition. The Company's long term liquidity also depends upon its ability to generate revenues from the sale of its products and achieve profitability. The failure to achieve these goals could have a material adverse effect on the execution of the Company's business plan, operating results and financial condition. The Company intends to raise additional financing to fund its operations through various means, including equity or debt financing, funding from a corporate partnership or licensing arrangement or any similar financing. 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.

### **NOTE 3. BANKRUPTCY PETITION AND ASSET PURCHASE AGREEMENT**

On June 26, 2011 we filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of California (the "Bankruptcy Court"), Case No. 11-10497-11 (the "Chapter 11 Case"). In connection with the Chapter 11 Case, we, as seller, and Cardium Healthcare, Inc., a wholly-owned subsidiary of Cardium Therapeutics, Inc., as purchaser (the "Cardium"), entered into an Asset Purchase Agreement dated June 26, 2011 (the "Asset Purchase Agreement") pursuant to which we agreed to sell substantially all of our assets pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, subject to court approval and the satisfaction of certain conditions set forth in the Asset Purchase Agreement.

Consummation of the sale to Cardium was subject to a number of conditions, including, among others, the approval by the Bankruptcy Court of the transactions contemplated by the Asset Purchase Agreement and compliance with certain specified deadlines for actions in connection with the Bankruptcy Case. The Asset Purchase Agreement was terminable by the parties under a number of circumstances, including failure to obtain certain Bankruptcy Court orders by agreed dates.

The Company's Motion to Sell Substantially all Assets of the Estate Free and Clear of Liens Claims and Interests and Assume and Assign Certain Executory Contracts Without Overbid ("Motion to Sell") was set for a hearing on July 18, 2011. As described in Note 10, the Chapter 11 Case and Asset Purchase Agreement have subsequently been dismissed.

### **NOTE 4. NOTES PAYABLE**

On April 5, 2010, the Company issued a Senior Convertible Promissory Note (the "Note") to an existing investor through a private placement. The Note includes an annual interest rate of 7.5 percent and (unless converted or prepaid, as noted below) all principal and interest are due and payable on its maturity date April 5, 2012 ("Maturity Date"). At any time prior to the Maturity Date, the investor may convert all or a portion of the outstanding principal and accrued interest at a conversion ratio of one share of Transdel's common stock for each \$1 (the fair market value of the Company's common stock on April 5, 2010) owed. Also, at any time prior to the Maturity Date, the Company has the option to prepay the outstanding principal and accrued interest. The Company received gross proceeds from the issuance of the Note in the aggregate amount of \$1,000,000. There were no discounts or commissions paid in connection with this private placement. Accrued interest on the Note was \$92,670 at June 30, 2011 and interest expense for the three and six months ended June 30, 2011 was \$18,698 and \$37,191, respectively, and \$17,671 for the three and six months ended June 30, 2011. Following the Company's bankruptcy petition filed June 26, 2011, and subsequent to the period ended June 30, 2011, the change in ownership control following the issuance of preferred stock (see Note 10), the entire unpaid principal sum of this Note, together with its accrued and unpaid interest became immediately due and payable. Subsequent to the period ended June 30, 2011, the Company, the noteholder and its assignee entered into a waiver and settlement agreement described in Note 10.

## NOTE 5. STOCKHOLDERS' EQUITY

On October 20, 2010, the Company appointed John N. Bonfiglio, Ph.D. as Chief Executive Officer and President of the Company. Dr. Bonfiglio was also appointed as a director on the Company's Board. The Board granted Dr. Bonfiglio a stock option for 400,000 shares of common stock and issued 50,000 shares of restricted common stock in accordance with the Company's 2007 Incentive Stock and Awards Plan. The stock option and the restricted common stock will vest as follows: 25% of the option shares and the restricted stock shall vest immediately upon grant, with the balance of the option shares and the restricted stock vesting in equal monthly installments over the next 36 months beginning 30 days after the grant date. The restricted stock was valued at \$0.80 per share, the reported closing price of the Company's common stock on October 20, 2010. On May 13, 2011 the Board accepted the resignation of Dr. Bonfiglio, Ph.D. as Chief Executive Officer and President of the Company and as a director on the Board. As a result of Dr. Bonfiglio's resignation, of the 50,000 shares of restricted stock awarded to him, 18,750 shares had vested and 31,250 shares were returned to treasury and cancelled effective his date of resignation. For the three and six months ended June 30, 2011, the Company recorded a stock-based compensation expense related to the issuance and partial vesting of the restricted stock award of \$833 and \$3,332, respectively.

For the three and six months ended June 30, 2011, 2010 and for the period from Inception through June 30, 2011, the Company recorded stock-based compensation expense for employees, directors and consultants of \$43,544, \$112,364, \$88,588, \$346,188 and \$2,049,027, respectively, for options and restricted stock granted and vested which is included in selling, general and administrative expenses and research and development expenses for the three and six months ended June 30, 2011, 2010 and for the period from Inception through June 30, 2011 in the amount of \$24,156 and \$19,388, \$74,610 and \$37,754, \$58,254 and \$30,334, \$282,317 and \$63,871 and \$1,434,356, and \$614,671, respectively. For the three and six months ended June 30, 2011, 2010 and for the period from Inception through June 30, 2011, the Company amortized \$0 and \$0, \$0 and \$53,866 and \$807,608, respectively, of prepaid consulting fees which is included as part of selling, general and administrative expenses.

## NOTE 6. STOCK OPTION PLAN

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 3,000,000 (as amended on November 5, 2008) 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.

A summary of the Plan for the six months ended June 30, 2011 is as follows:

	<u>Number of shares</u>	<u>Weighted Avg. Exercise Price</u>	<u>Weighted Avg. Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Outstanding - January 1, 2011	2,506,217	\$ 1.37		
Granted	-	-	-	
Exercised	-			
Cancelled/Forfeited	(865,000)	1.16		
Outstanding - June 30, 2011	<u>1,641,217</u>	<u>\$ 1.48</u>	<u>5.63</u>	<u>\$ -</u>
Exercisable - June 30, 2011	<u>1,491,217</u>	<u>\$ 1.54</u>	<u>5.44</u>	<u>\$ -</u>
Vested and expected to vest - June 30, 2011	<u>1,626,217</u>	<u>\$ 1.49</u>	<u>5.61</u>	<u>\$ -</u>

The aggregate intrinsic value in the table above represents the total pre-tax amount of the proceeds, net of exercise price, which would have been received by option holders if all option holders had exercised and immediately sold all options with an exercise price lower than the market price on June 30, 2011, based on the closing price of the Company's common stock of \$0.03 on that date.

The options were granted to the employees, directors and consultants at exercise prices that ranged from \$0.70 to \$2.62, the estimated fair market value of the common stock on the dates of issuance. All options granted to date expire on the ten year anniversary of the issuance date and were vested immediately or on a quarterly basis up to five years. The Company uses the Black-Scholes option pricing model to estimate the grant-date fair value of share-based awards. 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 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. The Company did not issue any options during the six months ended June 30, 2011, but cancelled 865,000 stock options during the six months ended June 30, 2011. These options were cancelled due to the resignation of the optionees during the six months ended June 30, 2011, the Company recorded stock-based compensation related to stock options for employees and directors of \$109,032, which is included in selling, general and administrative expenses and research and development expenses in the amount of \$71,238 and \$37,794, respectively.

As of June 30, 2011, there was approximately \$180,727 of total unrecognized compensation expense related to unvested stock options under the Plan. That expense is expected to be recognized over the weighted-average period of 1.47 years.

## NOTE 7. WARRANTS

The Company issued warrants to purchase shares of its common stock in conjunction with private placement offerings in 2007 and 2008 and a consulting agreement in 2008. The expiration of the outstanding warrants occurs through May 2013 at various periods.

A summary of the status of the warrants for the six months ended June 30, 2011 is as follows:

	<u>Number of Shares Subject to Warrants Outstanding</u>	<u>Weighted Avg. Exercise Price</u>
Warrants outstanding - January 1, 2011	768,980	\$ 4.10
Granted	-	
Exercised	-	
Expired	(5,000)	(2.00)
Warrants outstanding and exercisable - June 30, 2011	<u>763,980</u>	<u>\$ 4.15</u>
Weighted average remaining contractual life of the outstanding warrants in years - June 30, 2011	<u>1.41</u>	

## NOTE 8. GAIN ON FORGIVENESS OF LIABILITIES

On October 2, 2008, the Company entered into a payment agreement with a vendor, settling a balance of \$52,598. It was agreed between the Company and the vendor that 50% of the amount owed, or \$26,299 would be forgiven and the remainder would be paid in two installments, which were, 50%, or \$13,150, upon execution of the payment agreement and \$13,149 upon an infusion of capital into the Company. Since the inception of the payment agreement, the amount to be forgiven, \$26,299, continued to be recorded as an accounts payable up until the infusion of \$1 million from the issuance of the senior convertible promissory note (the "Note") in April 2010 (see Note 5). When the Note was issued, the final installment payment of \$13,149 was paid and the \$26,299 was recognized as a gain by the Company.

## NOTE 9. COMMITMENTS AND CONTINGENCIES

### Commitments

The Company leased its office facilities under a noncancelable operating lease, which expired in December 31, 2010. The Company renewed the lease from January 1, 2011 to June 30, 2011, with a monthly amount due of \$3,835. For the remaining fiscal year 2011, the Company's lease commitment is approximately \$0. Rent expense for three and six months ended June 30, 2011 was \$13,894 and \$24,399. The Company entered into a new lease agreement for office facilities effective February 15, 2012 to February 28, 2014. Monthly rent begins on March 1, 2012 in the amount of \$2,972 for the first 12 months, and \$3,715 is due monthly for the next 12 months.

### Indemnities and Guarantees

In addition to the indemnification provisions contained in the Company's charter documents, the Company will generally enter into separate indemnification agreements with the Company's directors and officers. These agreements require the Company, among other things, to indemnify the director or officer against specified expenses and liabilities, such as attorneys' fees, judgments, fines and settlements, paid by the individual in connection with any action, suit or proceeding arising out of the individual's status or service as the Company's director or officer, other than liabilities arising from willful misconduct or conduct that is knowingly fraudulent or deliberately dishonest, and to advance expenses incurred by the individual in connection with any proceeding against the individual with respect to which the individual may be entitled to indemnification by the Company. 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 consolidated balance sheets.

### **Cosmetic Products Consulting Agreement**

On August 25, 2008, the Company entered into an agreement with RIL-NA, LLC (“RIL-NA”) in order to enter into business relationships with third parties for certain of the Company’s cosmetic product formulations. RIL-NA was to be paid a commission equal to approximately twenty percent (20%) of the adjusted gross revenues realized from transactions related to this agreement. This agreement was terminable with 60 days written notice by either RIL-NA or the Company. On June 12, 2011, the Company entered into another agreement with RIL-NA whereby RIL-NA paid approximately \$5,000 in related legal filing fees to acquire exclusive marketing rights for the Company’s anti-cellulite product formulation from June 13, 2011 through August 11, 2011. The June 2011 agreement automatically terminates on August 12, 2011, no revenues or amounts were or are expected to be paid to or on behalf of the Company.

### **Cosmetic License Agreements**

On May 20, 2009, the Company and JH Direct, LLC (“JH Direct”) entered into a licensing agreement providing JH Direct with the exclusive worldwide rights to the Company’s anti-cellulite cosmetic product which utilizes the Company’s patented transdermal delivery system technology, Transdel™. Under the terms of the agreement, JH Direct will pay the Company initial royalty advances and a continuing licensing royalty on the worldwide sales of the anti-cellulite product. The Company retained the exclusive rights to seek pharmaceutical/dermatological partners for the anti-cellulite product for an initial period of one year following the launch of the product, thereafter JH Direct will be allowed to expand in this channel. The expiration date for this agreement is May 31, 2013. In accordance with the cosmetic products consulting agreement, the consulting firm will receive a percentage of the operating profits paid to the Company.

As of June 30, 2011 the Company had received non-refundable royalty advances totaling \$100,000 from JH Direct, and has deferred all of these revenues. Management believes JH Direct has abandoned its efforts to commercialize the anti-cellulite cream and the Company has exercised its rights to terminate the agreement in 2012, at which time all revenues from this agreement will be recognized in full. Management believes no other monies will come from this contract.

In June 2010, the Company and Jan Marini Skin Research, Inc. (“JMSR”) entered into a licensing agreement providing JMSR with the exclusive U.S. rights to Transdel’s transdermal delivery technology for use in an anti-cellulite cosmetic product for the dermatological market. Under the terms of the agreement, JMSR will pay Transdel a licensing royalty on the U.S. and worldwide sales of an anti-cellulite product using Transdel’s delivery technology. JMSR obtained an exclusive right to promote and sell a product in the U.S. dermatological market for approximately one year after which time they have a non-exclusive right. Also, JMSR obtained a non-exclusive right to promote and sell the product in the ex-U.S. dermatological market. In accordance with the cosmetic products consulting agreement, the cosmetic consultants will receive a percentage of the royalties paid to the Company. Management believes JMSR has abandoned its efforts to commercialize the anti-cellulite cream and the Company will look to terminate this agreement in 2012. No revenues or amounts were paid to or on behalf of the Company related to this agreement.

### **Separation Agreement**

Effective February 17, 2010, the Board of Directors of the Company accepted the resignation of Dr. Juliet Singh as Chief Executive Officer of the Company and as a director on the Board. In connection with Dr. Singh’s resignation, the Company and Dr. Singh entered into a separation agreement that provides Dr. Singh with one year of continued salary in accordance with the terms of her existing employment agreement as well as the accelerated vesting of 300,000 stock options previously granted. The separation agreement also includes a mutual release of claims. In accordance with this agreement, the Company recorded a one-time accrual of \$242,000 for the one year of continued salary (including the related employer payroll taxes) and medical benefits. Also, the Company recorded a total expense of approximately \$174,000 for the value of the modifications to the stock options. As of June 30, 2011, no amounts were due under the separation agreement.

### **Suspension of Payroll – March 1, 2011**

Effective March 1, 2011, the Board of Directors of the Company suspended all payroll. Any time incurred and billed for projects or follow-up performed by the employees will be accrued based on their current hourly amount.

### **NOTE 10. SUBSEQUENT EVENTS**

The Company has performed an evaluation of events occurring subsequent to the period end through the issuance date of this report. Based on our evaluation, nothing other than the events described below need to be disclosed.

## **Changes in Management and Board**

The Board accepted the resignation of John T. Lomoro as Principal Executive Officer, Chief Financial Officer and Treasurer of the Company, effective September 16, 2011. On the same date, the Board appointed Terry Nida, the Company's Chief Business Officer, to serve as the Company's Principal Executive Officer and Principal Financial Officer.

Effective December 16, 2011, upon the unanimous consent of the Board, Mark L. Baum and Dr. Robert J. Kammer joined the Board of Directors, each to serve until his resignation or removal or until his successor is duly elected and qualified. Mr. Baum and Dr. Kammer are the Managing Members of DermaStar and both Dr. Kammer and Mr. Baum hold ownership interests in DermaStar. There are no arrangements or understandings between either Mr. Baum or Dr. Kammer and any other persons pursuant to which either Mr. Baum or Dr. Kammer was elected as a director.

Effective December 16, 2011, Anthony S. Thornley resigned as a director from the Company's Board of Directors.

Effective December 16, 2011, Terry Nida resigned as Principal Executive Officer and Principal Financial Officer of the Company.

Effective January 1, 2012, the Board appointed Balbir Brar, D.V.M., Ph.D. as President of the Company.

Effective February 1, 2012, the Board appointed Andrew R. Boll as Vice-President of Accounting and Public Reporting and Principal Accounting and Financial Officer of the Company.

Effective February 15, 2012, the Board appointed Joachim Schupp, M.D. as Chief Medical Officer of the Company, Paul Finnegan, M.D. as a director of the Company and Balbir Brar as a director of the Company.

## **Bankruptcy Petition and Dismissal**

As described in Note 3, on June 26, 2011 we filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of California (the "Bankruptcy Court"), Case No. 11-10497-11 (the "Chapter 11 Case"). In connection with the Chapter 11 Case, we, as seller, and Cardium Healthcare, Inc., a wholly-owned subsidiary of Cardium Therapeutics, Inc., as purchaser (the "Cardium"), entered into an Asset Purchase Agreement dated June 26, 2011 (the "Asset Purchase Agreement") pursuant to which we agreed to sell substantially all of our assets pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, subject to court approval and the satisfaction of certain conditions set forth in the Asset Purchase Agreement.

Consummation of the sale to Cardium was subject to a number of conditions, including, among others, the approval by the Bankruptcy Court of the transactions contemplated by the Asset Purchase Agreement and compliance with certain specified deadlines for actions in connection with the Bankruptcy Case. The Asset Purchase Agreement was terminable by the parties under a number of circumstances, including failure to obtain certain Bankruptcy Court orders by agreed dates.

On July 26, 2011, the Bankruptcy Court denied our motion to sell our assets pursuant to the Asset Purchase Agreement. On October 7, 2011, we terminated the Asset Purchase Agreement pursuant to its terms. On November 21, 2011, in connection with the transactions described below, we requested that the Bankruptcy Court dismiss the Chapter 11 Case and retain jurisdiction to decide matters related to claims brought in the Bankruptcy Case by the Purchaser. On December 9, 2011, the Bankruptcy Court entered an order dismissing the Chapter 11 Case. In connection with the dismissal of the Chapter 11 Case, the Bankruptcy Court, among other things, declined to retain jurisdiction over claim objection proceedings and found moot our objection to certain claims to receive a break-up fee pursuant to the Asset Purchase Agreement of Cardium Therapeutics, Inc. and Cardium Healthcare, Inc., a wholly owned subsidiary of Cardium. The dismissal of the Chapter 11 Case was based upon the provisions of both 11 U.S.C. Sections 305(a) and 1112(b).

## **Change in Control - Preferred Stock**

In partial consideration for and in connection with the Line of Credit Agreement, on November 21, 2011, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with DermaStar, pursuant to which the Company agreed to issue ten (10) shares of newly-designated Series A Convertible Preferred Stock (the "Series A Preferred Stock") to DermaStar for an aggregate purchase price of \$100,000. The Purchase Agreement became effective on December 9, 2011, in connection with the dismissal of the Chapter 11 Case by the Bankruptcy Court. On December 12, 2011, the Company and DermaStar consummated the transactions contemplated by the Purchase Agreement. The shares of Series A Preferred Stock issued to DermaStar in the offering are convertible into 59,988,002 shares of the Company's Common Stock, however, following shareholder action and approval to increase the number of authorized shares of Common Stock through an amendment to the Company's Amended and Restated Certificate of Incorporation, DermaStar has the ability to convert five of its ten shares of Series A Preferred Stock into 29,994,001 shares of Common Stock, representing approximately 65% of the capital stock of the Company on an as-converted basis. Upon issuance of the Series A Preferred Stock, Dermastar, and its members individually, became control persons of the Company, and as such, this and any further transactions between the Company and Dermastar, and/or its members individually, will be disclosed as related party transactions.

## **Secured Line of Credit – Related Party**

On November 21, 2011, the Company entered into a Secured Line of Credit Letter Agreement (the “Line of Credit Agreement”) with DermaStar . The Line of Credit Agreement became effective on December 9, 2011, in connection with the dismissal of the Chapter 11 Case by the Bankruptcy Court. On December 9, 2011, as required by the Line of Credit Agreement, the Company entered into a Security Agreement and an Intellectual Property Security Agreement with DermaStar, pursuant to which the Company granted to DermaStar a blanket security interest in all of its assets, including its intellectual property. The Line of Credit Agreement provides for advances to the Company of up to an aggregate of \$750,000 (each an “Advance” and collectively the “Loan”), subject to the satisfaction by the Company of certain conditions in connection with the initial Advance and each subsequent Advance. Each Advance will be made pursuant to a Promissory Note in favor of DermaStar. The Company has received advances totaling \$300,000 at December 31, 2011. The Promissory Notes accrue interest at 10% annually and mature one year after the effective dates.

## **Settlement with the Holders of the Company’s 7.5% Convertible Promissory Note**

As of January 25, 2012, the Board of Directors of the Company approved, and the Company entered into, separate waiver and settlement agreements with the two counter parties holding a \$1,000,000 7.5% convertible promissory note (the “Convertible Note”) issued by the Company on April 5, 2010. DermaStar had previously acquired 80% of the Convertible Note in a private transaction with Alexej Ladonnikov, the original purchaser of the Convertible Note. Mr. Ladonnikov is now the holder of 20% of the Convertible Note.

In connection with each of the waiver and settlement agreements, the holders of the Convertible Note each agreed to forever waive their rights to (i) accelerate the entire unpaid principal sum of the Convertible Note and all accrued interest pursuant to Section 1 of the Convertible Note related to the Company’s Bankruptcy petition filed June 26, 2011, (ii) Section 7 of the Senior Convertible Note Purchase Agreement dated April 5, 2010, regarding the designation and creation of the Series A Convertible Preferred Stock and (iii) certain conversion rights pursuant to Section 3 of the Convertible Note related to the change of control that resulted from the sale of the Series A Convertible Preferred Stock. In addition, pursuant to the terms of the waiver and settlement agreement by and between the Company and DermaStar (the “DermaStar Waiver Agreement”), DermaStar and the Company agreed to the mandatory conversion of the 80% of the principal and accrued and unpaid interest of the Convertible Note held by DermaStar, at such time as (and not until) the Company has a sufficient number of authorized common shares to effect such a conversion, into the common stock of the Company at a conversion price of \$0.01667 (“DermaStar Conversion Price”). Additionally, DermaStar agreed to a mandatory conversion of an additional \$56,087 in good and valid current accounts payable of the Company (“AP Conversion”) currently held by DermaStar, at such time as (and not until) the Company has a sufficient number of authorized common shares and is able to convert the Convertible Note. The AP Conversion will be made at the DermaStar Conversion Price. Directors Mr. Baum and Dr. Kammer are both affiliates of DermaStar. The DermaStar Waiver Agreement was negotiated and approved by a disinterested director unaffiliated with DermaStar. Directors Mr. Baum and Dr. Kammer abstained from voting on this matter.

Pursuant to the terms of the waiver and settlement agreement by and between the Company and Mr. Ladonnikov (the “Ladonnikov Waiver Agreement”), Mr. Ladonnikov and the Company agreed to the mandatory conversion of the twenty percent (20%) of the principal and accrued and unpaid interest of the Convertible Note held by Mr. Ladonnikov, at such time as (and not until) the Company has a sufficient number of authorized common shares to effect such a conversion, into the common stock of the Company at a conversion price of \$0.015. Additionally, Mr. Ladonnikov agreed to make a one-time payment to the Company, at such time as the Convertible Note is converted into Company common stock, of \$50,000.

At any time prior to the automatic conversions of the Convertible Note, the Company retains the right to pay the Convertible Note off in full. As of February 15, 2012, the balance of the Convertible Note, including principal and accrued and unpaid interest, equals approximately \$1,139,932. At maturity, to the extent the number of authorized Company common shares was increased, the conversion of the Convertible Note and AP Conversion would result in the issuance of approximately 73,269,391 additional shares of the Company’s common stock. A conversion of the Convertible Note would eliminate all amounts due to DermaStar and Alexej Ladonnikov in connection with the Convertible Note.

## **Amendment to Certificate of Incorporation**

On January 25, 2012, the Board approved an amendment to our Amended and Restated Certificate of Incorporation (the “Certificate Amendment” and submitted the Certificate Amendment to our stockholders for approval. The Certificate Amendment: (i) increases the number of authorized shares of our capital stock to Four Hundred Million (400,000,000) and the number of authorized shares of common stock to Three Hundred Ninety-Five Million (395,000,000) (the “Share Increase”); and (ii) changes our name from Transdel Pharmaceuticals, Inc. to Imprimis Pharmaceuticals, Inc. Our stockholders approved the Certificate Amendment in an action by written consent on January 25, 2012. We expect the Certificate Amendment to become effective on February 28, 2012, following our compliance with certain information requirements of the SEC.

In addition, also on January 25, 2012, the Board approved and submitted to our stockholders a proposal to effect a reverse stock split of all of the outstanding shares of common stock (the "Reverse Stock Split") at an exchange ratio of either one-for-six, one-for-eight, one-for-ten or one-for-20, such exchange ratio to be determined by the Board of Directors in its sole discretion at any time following stockholder approval of the Reverse Stock Split through the date twelve months following the date of such stockholder approval. The Reverse Stock Split would preserve the existing aggregate par value of our common stock. In the event we effect the Reverse Stock Split, no stockholder holding greater than 100 common shares prior to the Reverse Stock Split will hold, after such Reverse Stock Split, less than 100 common shares. Our stockholders approved an Amendment to our Amended and Restated Certificate of Incorporation to effect the Reverse Stock Split (the "Reverse Split Certificate Amendment") in an action by written consent on January 25, 2012. The stockholder approval will become effective following the Company's compliance with certain information statement requirements of the SEC, which the Company expects to occur on or about February 28, 2012. At that time, the Board will effect a one-for-eight reverse stock split.

#### **Amendments to 2007 Incentive Stock and Awards Plan**

The 2007 Incentive Stock and Awards Plan (the "Plan") was originally approved by the Board and the stockholders of the Company on September 17, 2007 and prior to the approval of the amendments to the Plan discussed below, provided for the granting of stock options and awards to purchase up to a maximum of 3,000,000 shares of common stock (subject to adjustment in the event of certain capital changes). On January 25, 2012, the Board unanimously approved the below amendments to the Plan (collectively, the "Plan Amendments") and recommended their approval to the stockholders. The Plan currently authorizes the grant of awards to Participants with respect to a maximum of 3,000,000 shares of Common Stock, which will increase to 30,000,000 as of the effective date of the Plan Amendment.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

We are a specialty pharmaceutical company developing non-invasive, topically delivered products. Our innovative patented Transdel™ cream formulation technology is designed to facilitate the effective penetration of a variety of products through the tough skin barrier. Ketotransdel®, our lead pain product, utilizes the Transdel™ platform technology to deliver the active drug, ketoprofen, a non-steroidal anti-inflammatory drug (“NSAID”), through the skin directly into the underlying tissues where the drug exerts its well-known anti-inflammatory and analgesic effects. We intend to leverage the Transdel™ platform technology to expand and create a portfolio of topical products for a variety of indications.

On September 17, 2007, we entered into an Agreement of Merger and Plan of Reorganization (the “Merger Agreement”) with Transdel Pharmaceuticals Holdings, Inc., a privately held Nevada corporation (“Transdel Holdings”), and Trans-Pharma Acquisition Corp., our newly formed, wholly-owned Delaware subsidiary (“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 our wholly-owned subsidiary. On June 20, 2011, Transdel Holdings was merged with Transdel Pharmaceuticals, Inc., at which time Transdel Holdings ceased as a corporation, and Transdel Pharmaceuticals, Inc. remains as the sole surviving corporation.

As is discussed further in the Liquidity and Capital Resources section below, we have limited funds to support our operations and have incurred net losses since our inception. We expect to incur losses in the future as we pursue the clinical development of our product candidates. Our continuation of operations subsequent to the fourth quarter of 2012 is dependent on our ability to obtain additional financing to fund the continued operation of our business model for a long enough period to achieve profitable operations.

### Plan of Operations

For the next twelve months, our current operating plan is focused on the development of our lead drug, Ketotransdel® for the indication of acute pain, inflammation and swelling associated with soft tissue injuries, development of cosmetic products and co-development opportunities in other therapeutic areas utilizing our Transdel™ platform technology.

### Clinical Program for Ketotransdel®

In June 2008, we initiated a Phase 3 clinical study designed as a randomized, double-blind, placebo-controlled, multi-center Phase 3 study that enrolled a total of 364 patients with acute soft tissue injuries of the upper or lower extremities in 26 centers in the United States. The primary efficacy endpoint was the difference between Ketotransdel® and placebo in the change from baseline in pain intensity as measured by the 100 mm Visual Analogue Scale (VAS) during daily activities over the past 24 hours on the Day 3 visit.

As we reported in October 2009, the top-line results showed that the study demonstrated failed to meet its primary endpoint, although a post-hoc analysis revealed that a modified intent-to-treat analysis showed statistical significance favoring Ketotransdel®. There were no Ketotransdel® treatment related gastrointestinal, cardiovascular, hepatic or other clinically relevant adverse events (AEs) reported. In particular, there was a low incidence of skin associated AEs, 1.1% with Ketotransdel® and 2.2% with placebo. Furthermore, Ketotransdel® was well absorbed through the skin and in support of the safety and tolerability only minimal blood concentrations of ketoprofen were detected in a subset of patients who underwent blood sampling for pharmacokinetic (PK) analyses following repeated topical applications. These PK results are consistent with our previous clinical study findings and support the strong safety profile.

In January 2010, we reported on further post-hoc analyses of the ITT data from the Ketotransdel® Phase 3 study. For the modified ITT analysis we identified 35 patients who did not meet study entry criteria at the time of randomization. Excluding these patients who did not meet the study entry criteria but was nevertheless randomized into the trial, the modified ITT population demonstrated statistical significance ( $p < 0.038$ ) on the primary efficacy endpoint for Ketotransdel® compared to placebo vehicle). This post-hoc analysis was confirmed by a third-party statistical expert.

The weight of evidence of a treatment effect in this study is further strengthened by a key secondary endpoint (pain intensity recorded 3 times daily on patient diary cards) that supports the primary endpoint. The pain curves over time show consistent separation between treatment groups reaching statistical significance in favor of Ketotransdel®; using both the original and modified ITT population. Furthermore, the proportion of subjects who were satisfied with the treatment and achieved moderate or higher pain relief - as recorded on a 7 point Likert Scale - was statistically significantly greater with Ketotransdel® on Day 3 ( $p = 0.023$ ).

Based on discussions with the FDA at least two adequate and well-controlled Phase 3 studies are required in order to obtain regulatory approval to market Ketotransdel®. As part of a routine requirement to provide safety information in the NDA submission we have to perform studies such as to assess the allergenicity potential and absorption of ketoprofen during concurrent exercise and heat exposure with Ketotransdel®. These additional supportive trials will be conducted in healthy subjects. The timing of the second and third Phase 3 trial and the other supportive studies will be dependent on obtaining adequate financing to support the execution of these activities and for other working capital expenditures. Upon receipt of such financing, we anticipate initiating the second Phase 3 trial and supportive studies in 2012 or 2013. Based on successful outcome of the two additional Phase 3 trials, we anticipate filing the 505(b)(2) application in a timely manner. We expect that Ketotransdel®, if and when approved by the FDA, could become the first topical ketoprofen and the first NSAID cream product available by prescription in the United States for acute, localized pain management.



## **Cosmetic Product Development Program**

We have expanded our product development programs to include cosmetic products, which utilize our patented transdermal delivery system technology, Transdel™. Our lead product is an anti-cellulite formulation, for which we have initial clinical information supporting the beneficial effects of this key cosmetic product on skin appearance. Our potential pipeline of cosmetic products includes hyperpigmentation and anti-aging formulations.

On August 25, 2008, the Company entered into an agreement with RIL-NA, LLC in order to enter into business relationships with third parties for certain of the Company's cosmetic product formulations. RIL-NA, LLC was to be paid a commission equal to approximately twenty percent (20%) of the adjusted gross revenues realized from transactions related to this agreement. This agreement is terminable with 60 days written notice by either RIL-NA or the Company. On June 12, 2011, the Company entered into another agreement with RIL-NA, LLC whereby RIL-NA paid approximately \$5,000 in related legal filing fees to acquire exclusive marketing rights for the Company's anti-cellulite product formulation from June 13, 2011 through August 11, 2011. The June 12, 2011 agreement automatically terminated on August 12, 2011, no revenues or amounts were paid to or on behalf of the Company.

On May 20, 2009, we entered into a license agreement with JH Direct, LLC ("JH Direct") providing JH Direct with the exclusive worldwide rights to our anti-cellulite cosmetic product. Under the terms of the agreement, JH Direct will pay us initial royalty advances if the product is marketed and a continuing licensing royalty on the worldwide sales of the anti-cellulite product. We retained the exclusive rights to seek pharmaceutical/dermatological partners for the anti-cellulite product for an initial period of one year following the launch of the product, thereafter JH Direct will be allowed to expand in this channel. In September 2010, it was announced that JH Direct had completed their initial product testing of our anti-cellulite formulation in 24 subjects, which consisted of observing the before and after results of applying the product over a 16 week period. The excellent results observed during this test have led JH Direct to initiate plans for a final test in approximately 25 subjects to be conducted by a third-party skin research center that will conduct a similar test to the initial test as well as obtain additional measurements over a 12 week period. JH Direct planned a commercial launch of the product for the first quarter of 2011 subject to successful completion of this final test. As of December 31, 2010, we received \$80,000 in advance non-refundable royalty payments and \$20,000 during April 2011. The Company has exercised its termination rights under the license agreement and terminated this contract effective January 30, 2012.

In June 2010, we entered into a license agreement with Jan Marini Skin Research, Inc. ("JMSR") providing JMSR with the exclusive U.S. rights to our transdermal delivery technology for use in an anti-cellulite cosmetic product for the dermatological market. Under the terms of the agreement, JMSR will pay us a licensing royalty on the U.S. and worldwide sales of an anti-cellulite product using our delivery technology. JMSR obtained an exclusive right to promote and sell a product in the U.S. dermatological market for approximately one year after which time they have a non-exclusive right. Also, JMSR obtained a non-exclusive right to promote and sell the product in the ex-U.S. dermatological market. The Company does not expect to receive future royalties from this agreement as JMSR has abandoned its efforts to commercialize the product at this time. The Company and JMSR mutually terminated this contract effective January 30, 2012.

## **Other Product Development Programs**

We believe that the clinical success of Ketotransdel® will facilitate the use of the Transdel™ delivery technology in other products. We have identified co-development opportunities for potential products utilizing the Transdel™ platform technology and we are exploring potential partnerships for these identified products. We are also looking to out-license our Transdel™ drug delivery technology for the development and commercialization of additional innovative drug products. There can be no assurance that any of the activities associated with our product development programs will lead to definitive agreements.

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

## **Summary of Recent Events**

### *Bankruptcy Petition and Dismissal*

On June 26, 2011 we filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of California (the "Bankruptcy Court"), Case No. 11-10497-11 (the "Chapter 11 Case"). In connection with the Chapter 11 Case, we, as seller, and Cardium Healthcare, Inc., a wholly-owned subsidiary of Cardium Therapeutics, Inc., as purchaser (the "Cardium"), entered into an Asset Purchase Agreement dated June 26, 2011 (the "Asset Purchase Agreement") pursuant to which we agreed to sell substantially all of our assets pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, subject to court approval and the satisfaction of certain conditions set forth in the Asset Purchase Agreement.

Consummation of the sale to Cardium was subject to a number of conditions, including, among others, the approval by the Bankruptcy Court of the transactions contemplated by the Asset Purchase Agreement and compliance with certain specified deadlines for actions in connection with the Bankruptcy Case. The Asset Purchase Agreement was terminable by the parties under a number of circumstances, including failure to obtain certain Bankruptcy Court orders by agreed dates.

On July 26, 2011, the Bankruptcy Court denied our motion to sell our assets pursuant to the Asset Purchase Agreement. On October 7, 2011, we terminated the Asset Purchase Agreement pursuant to its terms. On November 21, 2011, in connection with the transactions described below, we requested that the Bankruptcy Court dismiss the Chapter 11 Case and retain jurisdiction to decide matters related to claims brought in the Bankruptcy Case by the Purchaser. On December 9, 2011, the Bankruptcy Court entered an order dismissing the Chapter 11 Case. In connection with the dismissal of the Chapter 11 Case, the Bankruptcy Court, among other things, declined to retain jurisdiction over claim objection proceedings and found moot our objection to certain claims to receive a break-up fee pursuant to the Asset Purchase Agreement of Cardium Therapeutics, Inc. and Cardium Healthcare, Inc., a wholly owned subsidiary of Cardium. The dismissal of the Chapter 11 Case was based upon the provisions of both 11 U.S.C. Sections 305(a) and 1112(b).

#### *Secured Line of Credit – Related Party*

On November 21, 2011, we entered into a Secured Line of Credit Letter Agreement (the “Line of Credit Agreement”) with DermaStar International, LLC (“DermaStar”), pursuant to which DermaStar agreed to lend us funds under a line of credit upon certain conditions, including the dismissal of the Chapter 11 Case by the Bankruptcy Court. The Line of Credit Agreement became effective on December 9, 2011, in connection with the dismissal of the Chapter 11 Case by the Bankruptcy Court. On December 9, 2011, as required by the Line of Credit Agreement, we entered into a Security Agreement and an Intellectual Property Security Agreement, pursuant to which we granted to DermaStar a blanket security interest in all of our assets, including our intellectual property. The Line of Credit Agreement provides for advances of up to an aggregate of \$750,000 (each an “Advance” and collectively the “Loan”), subject to the satisfaction by us of certain conditions in connection with the initial Advance and each subsequent Advance. Each Advance will be made pursuant to a Promissory Note in favor of DermaStar. On December 12, 2011, we requested and received advances totaling \$300,000.

#### *Change in Control – Preferred Stock*

In partial consideration for and in connection with the Line of Credit Agreement, on November 21, 2011 we executed a Securities Purchase Agreement (the “Purchase Agreement”) with DermaStar, pursuant to which we agreed to issue 10 shares of newly-designated Series A Convertible Preferred Stock (the “Series A Preferred Stock”) to DermaStar for an aggregate purchase price of \$100,000. The Purchase Agreement, as amended, became effective on December 9, 2011, in connection with the dismissal of the Chapter 11 Case by the Bankruptcy Court. On December 12, 2011, we and DermaStar consummated the transactions contemplated by the Purchase Agreement. The shares of Series A Preferred Stock issued to DermaStar in the offering are convertible into 59,988,002 shares of our Common Stock; however, until the effective date of the stockholder action by written consent to approve to increase the number of authorized shares of Common Stock through an amendment to the our Amended and Restated Certificate of Incorporation (as described below), DermaStar has the ability to convert five of its ten shares of Series A Preferred Stock into 29,994,001 shares of Common Stock, representing approximately 65% of the capital stock of the Company on an as-converted basis. Upon issuance of the Series A Preferred Stock, DermaStar, and its members individually, became control persons of the Company, and as such, this and any further transactions between the Company and DermaStar, and/or its members individually, will be disclosed as related party transactions. We appointed DermaStar Managing Members Mark L. Baum and Robert J. Kammer to our Board of Directors in December 2011.

#### *Settlement with the Holders of the Company’s 7.5% Convertible Promissory Note*

Effective as of January 25, 2012, we entered into separate waiver and settlement agreements with the two parties holding a \$1,000,000 7.5% convertible promissory note (the “Convertible Note”) issued by us on April 5, 2010. DermaStar had previously acquired 80% of the Convertible Note in a private transaction with Alexej Ladonnikov, the original purchaser of the Convertible Note. Mr. Ladonnikov is now the holder of 20% of the Convertible Note.

In connection with each of the waiver and settlement agreements, the holders of the Convertible Note each agreed to forever waive their rights to (i) accelerate the entire unpaid principal sum of the Convertible Note and all accrued interest pursuant to Section 1 of the Convertible Note related to the Company's Bankruptcy petition filed June 26, 2011, (ii) Section 7 of the Senior Convertible Note Purchase Agreement dated April 5, 2010, regarding the designation and creation of the Series A Convertible Preferred Stock and (iii) certain conversion rights pursuant to Section 3 of the Convertible Note related to the change of control that resulted from the sale of the Series A Convertible Preferred Stock. In addition, pursuant to the terms of the waiver and settlement agreement with DermaStar (the "DermaStar Waiver Agreement"), we and DermaStar agreed to the mandatory conversion of the 80% of the principal and accrued and unpaid interest of the Convertible Note held by DermaStar, at such time as we have a sufficient number of authorized common shares to effect such a conversion, into our common stock at a conversion price of \$0.01667 ("DermaStar Conversion Price"). Additionally, DermaStar agreed to a mandatory conversion of an additional \$56,087 in good and valid current accounts payable of the Company ("AP Conversion") currently held by DermaStar, at such time as we have a sufficient number of authorized common shares and DermaStar is able to convert the Convertible Note. The AP Conversion will be made at the DermaStar Conversion Price. Directors Mr. Baum and Dr. Kammer are both affiliates of DermaStar. The DermaStar Waiver Agreement was negotiated and approved by the sole disinterested director unaffiliated with DermaStar. Directors Mr. Baum and Dr. Kammer abstained from voting on this matter.

Pursuant to the terms of the waiver and settlement agreement with Mr. Ladonnikov (the "Ladonnikov Waiver Agreement"), we and Mr. Ladonnikov agreed to the mandatory conversion of the 20% of the principal and accrued and unpaid interest of the Convertible Note held by Mr. Ladonnikov, at such time as we have a sufficient number of authorized common shares to effect such a conversion, into our common stock a conversion price of \$0.015. Additionally, Mr. Ladonnikov agreed to make a one-time payment of \$50,000 to us at such time as the Convertible Note is converted into common stock.

At any time prior to the automatic conversions of the Convertible Note we retain the right to prepay the Convertible Note in full. As of February 15, 2012, the balance of the Convertible Note, including principal and accrued and unpaid interest, equals approximately \$1,139,932. At maturity, to the extent the number of authorized shares of common stock is increased, the conversion of the Convertible Note and AP Conversion would result in the issuance of approximately 73,269,391 additional shares of our common stock. A conversion of the Convertible Note would eliminate all amounts due to DermaStar and Alexej Ladonnikov in connection with the Convertible Note. Upon the effective date of the Certificate Amendment described below we will have sufficient authorized shares of common stock to enable the automatic conversion of the Convertible Note.

#### *Amendment to Certificate of Incorporation*

On January 25, 2012, the Board approved an amendment to our Amended and Restated Certificate of Incorporation (the "Certificate Amendment") and submitted the Certificate Amendment to our stockholders for approval. The Certificate Amendment: (i) increases the number of authorized shares of our capital stock to Four Hundred Million (400,000,000) and the number of authorized shares of common stock to Three Hundred Ninety-Five Million (395,000,000) (the "Share Increase"); and (ii) changes our name from Transdel Pharmaceuticals, Inc. to Imprimis Pharmaceuticals, Inc. Our stockholders approved the Certificate Amendment in an action by written consent on January 25, 2012. We expect the Certificate Amendment to become effective on February 28, 2012, following our compliance with certain information requirements of the SEC.

In addition, also on January 25, 2012, the Board approved and submitted to our stockholders a proposal to effect a reverse stock split of all of the outstanding shares of common stock (the "Reverse Stock Split") at an exchange ratio of either one-for-six, one-for-eight, one-for-ten or one-for-20, such exchange ratio to be determined by the Board of Directors in its sole discretion at any time following stockholder approval of the Reverse Stock Split through the date twelve months following the date of such stockholder approval. The Reverse Stock Split would preserve the existing aggregate par value of our common stock. In the event we effect the Reverse Stock Split, no stockholder holding greater than 100 common shares prior to the Reverse Stock Split will hold, after such Reverse Stock Split, less than 100 common shares. Our stockholders approved an Amendment to our Amended and Restated Certificate of Incorporation to effect the Reverse Stock Split (the "Reverse Split Certificate Amendment") in an action by written consent on January 25, 2012. The stockholder approval will become effective following the Company's compliance with certain information statement requirements of the SEC, which the Company expects to occur on or about February 28, 2012. At that time, the Board will effect a one-for-eight reverse stock split.

#### *Amendments to 2007 Incentive Stock and Awards Plan*

The 2007 Incentive Stock and Awards Plan (the "Plan") was originally approved by the Board and the stockholders of the Company on September 17, 2007 and prior to the approval of the amendments to the Plan discussed below, provided for the granting of stock options and awards to purchase up to a maximum of 3,000,000 shares of common stock (subject to adjustment in the event of certain capital changes). On January 25, 2012, our Board unanimously approved the below amendments to the Plan (collectively, the "Plan Amendments") and recommended their approval to our stockholders. The Plan currently authorizes the grant of awards to Participants with respect to a maximum of 3,000,000 shares of Common Stock, which will increase to 30,000,000 as of the effective date of the Plan Amendment.

#### *Changes in Management and Board of Directors*

As a result of the Chapter 11 Case, our management team has undergone significant changes during the fiscal year ending December 31, 2011. The Board accepted the resignation of John N. Bonfiglio, Ph.D. as Chief Executive Officer and President of the Company and as a director on the Board, effective May 13, 2011. On the same date, the Board appointed John T. Lomoro, to serve as the Company's Principal Executive Officer. The Board accepted the resignation of John T. Lomoro as Principal Executive Officer, Chief Financial Officer and Treasurer of the Company, effective September 16, 2011. On the same date, the Board appointed Terry Nida, the Company's Chief Business Officer, to serve as the Company's Principal Executive Officer and Principal Financial Officer. Effective December 16, 2011, Terry Nida resigned as Principal Executive Officer and Principal Financial Officer of the Company.

Our Board of Directors has also undergone significant change. Effective December 16, 2011, Mark L. Baum and Dr. Robert J. Kammer joined the Board of Directors. Mr. Baum and Dr. Kammer are the Managing Members of DermaStar and both Dr. Kammer and Mr. Baum hold ownership interests in DermaStar. There are no arrangements or understandings between either Mr. Baum or Dr. Kammer and any other persons pursuant to which either Mr. Baum or Dr. Kammer was elected as a director. Also effective December 16, 2011, Anthony S. Thornley resigned as a director from the Company's Board of Directors. Effective February 15, 2012, Paul Finnegan, M.D. and Dr. Brar, our President, were appointed as directors of the Company. We currently have five directors: Jeffrey Abrams, M.D., Mr. Baum, Dr. Kammer, Dr. Finnegan and Dr. Brar. Mr. Baum serves as the Chairman of the Board of Directors.

## Results of Operations

### Selling, General and Administrative Expenses

Our selling, general and administrative expenses include personnel costs including wages and stock-based compensation, corporate facility expenses, investor relations, consulting, insurance, legal and accounting expenses.

The table below provides information regarding selling, general and administrative expenses:

	Three months ended June 30,		\$ Variance	Six months ended June 30,		\$ Variance
	2011	2010		2011	2010	
<b>Selling, general and administrative</b>	<u>\$ 121,429</u>	<u>\$ 409,810</u>	(288,381)	<u>\$ 448,033</u>	<u>\$ 1,165,397</u>	(717,364)

For the three months and six months ended June 30, 2011, the decrease of \$288,381 and \$717,364, respectively, in selling, general and administrative expense, as compared to the same periods in the prior year, were primarily a result of the suspension of payroll and primary business operations at and about March 1, 2011, and resignations of three staff members. In addition, we recognized aggregate one-time expenses of approximately \$416,000 during the same period in 2010 related to the separation agreement. This amount was comprised of approximately \$242,000 related to the accrual of continued salary and medical benefits to be provided for a period of one year after the separation date of February 17, 2010 and approximately \$174,000 of stock-based compensation expense related to the modification of terms for the former chief executive officer's stock options.

### Research and Development Expenses

Our research and development expenses primarily include costs for the Ketotransdel® clinical program. These costs are comprised of expenses for our first Phase 3 study, including costs for our contract research organization and investigator payments to the clinical sites participating in the study. Other expenses are personnel costs including wages and stock-based compensation, contract manufacturing, non-clinical studies, consulting and other costs related to the clinical program.

The table below provides information regarding research and development expenses:

	Three months ended June 30,		\$ Variance	Six months ended June 30,		\$ Variance
	2011	2010		2011	2010	
<b>Research and development</b>	<u>\$ 24,338</u>	<u>\$ 86,954</u>	(62,616)	<u>\$ 111,554</u>	<u>\$ 202,112</u>	(90,558)

For the three and six months ended June 30, 2011, the decrease of \$62,616 and \$90,558, respectively, in research and development expense, as compared to the same period in the prior year, was primarily related to a decrease of activities for the Phase 3 study, clinical trials and staff/consulting expenses.

### Interest Expense

In April 2010, we issued a two year Senior Convertible Promissory Note (the "Note") to an existing investor through a private placement. The Note includes an annual interest rate of 7.5 percent; therefore, interest expense on the Note was \$18,698 and \$17,671 for the three months ended June 30, 2011 and 2010, respectively, and \$37,191 and \$17,671 for the six months ended June 30, 2011 and 2010, respectively.

## Interest Income

Interest income was \$0 and \$135 for the three months ended, June 30, 2011 and 2010, respectively and \$0 and \$268 for the six months ended June 30, 2011 and 2010, respectively. The decrease was due to a lower average cash balance during the three and six month periods ended June 30, 2011, as compared to the same period in the prior year.

## Liquidity and Capital Resources

Our cash on hand at June 30, 2011 and 2010 was \$5,553 and \$1,042,614, respectively. The decrease in cash is primarily attributable the lack of financing commitments made during the six months ended June 30, 2011 and the years ended December 31, 2010 and 2009 as compared to years prior, compounded by a lower beginning cash balance for the current period. Since inception through June 30, 2011, we have incurred losses of approximately \$18.1 million. These losses are primarily due to selling, general and administrative and research and development expenses incurred in connection with developing and seeking regulatory approval for our lead drug, Ketotransdel®. Historically, our operations have been financed through capital contributions and debt and equity financings.

As further described under the “Recent Developments” heading of this Item, on June 26, 2011 we filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code (the “Chapter 11 Case”). We suspended our operations and terminated almost all of our employees. After receiving certain commitments from DermaStar to provide funding to us under a secured line of credit (as described in more detail below), on November 21, 2011 we requested that the Bankruptcy Court dismiss the Chapter 11 Case. The Bankruptcy Court entered an order dismissing the Chapter 11 Case on December 9, 2011. Since December 9, 2011, we have focused on resuming the operation of our business, including assembling a management team and hiring employees.

The following table provides detailed information about our net cash flow for all financial statement periods presented in this Report.

### Cash Flow (All amounts in U.S. dollars)

	The Six Months Ended June 30,	
	2011	2010
Net cash used in operating activities	\$ (285,909)	\$ (1,547,159)
Net cash used in investing activities	-	-
Net cash provided by financing activities	-	1,000,000
Net Decrease in Cash and Cash Equivalents	(285,909)	(547,159)
Cash and Cash Equivalents at Beginning of the Period	291,462	1,589,773
Cash and Cash Equivalents at End of the Period	\$ 5,553	\$ 1,042,614

### Operating Activities

Net cash used in operating activities was \$285,909 for the six months ended June 30, 2011, as compared to \$1,547,159 used in operating activities during the same period for the prior year. The decrease in net cash used in operating activities was mainly due to management minimizing certain administrative expenses, suspension of payroll at March 1, 2011, and lengthening our accounts payable payment process.

### Investing Activities

Net cash used in investing activities for the six months ended June 30, 2011 and 2010 was \$0, as the Company is currently devoting almost all of its cash resources to operations.

### Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2011 and 2010 was \$0 and \$1,000,000, respectively. The decrease of net cash provided by financing activities was attributable to the issuance of a Senior Convertible Note with a principal balance of \$1,000,000 issued in exchange for cash of the same amount during April of 2010.

We have limited funds to support our operations. We have prepared our condensed consolidated financial statements in this Form 10-Q on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our continuation as a going concern is dependent on our ability to obtain additional financing to fund the continued operation of our business model for a long enough period to achieve profitable operations. In order to conduct the second Phase 3 trial and the other routine supportive safety studies that are required in order to obtain regulatory approval to market Ketotransdel®, we will need to secure additional funds. We intend to seek additional financing to fund the clinical requirements for Ketotransdel® as well as to continue our cosmetic program and to explore co-development opportunities. If adequate financing is not available, we will not be able to meet the FDA’s requirements to obtain regulatory approval to market Ketotransdel®.

We will be required to pursue sources of additional capital to fund our operations through various means, including equity or debt financing, funding from a corporate partnership or licensing arrangement or any similar financing. 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. In addition, if we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish potentially valuable rights to our product candidates or proprietary technologies, or grant licenses on terms that are not favorable to us. 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 results.

The significant downturn in the overall economy and the ongoing disruption in the capital markets has reduced investor confidence and negatively affected investments, generally and specifically, in the pharmaceutical industry. In addition, the fact that we are not profitable and need significant additional funds to complete our clinical trials, could further impact the availability or cost of future financings. As a result, 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. If we are unable to raise funds to satisfy our capital needs on a timely basis, we may be required to cease operations.

As reported in the Report of Independent Registered Public Accounting Firm on our December 31, 2010 consolidated financial statements, we have incurred recurring losses from operations and have an accumulated deficit that raises substantial doubt about our ability to continue as a going concern. In addition, since we do not have adequate cash resources, as of the date of the Report, to support our operating plan for the next twelve to fifteen months, this too factored into our public accounting firm's doubt we will continue as a going concern.

### **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 condensed consolidated financial statements.

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

*Stock-Based Compensation.* 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. Fair value is determined at the date of grant. 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.

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows Financial Accounting Standards Board ("FASB") guidance. 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. 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 record the fair value of nonforfeitable equity instruments issued for future consulting services as prepaid consulting fees in our condensed consolidated balance sheets.

*Tax Liabilities.* As part of the process of preparing our financial statements, we must estimate our actual current tax liabilities together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. We must assess the likelihood that the deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, a valuation allowance must be established. To the extent we establish a valuation allowance or increase or decrease this allowance in a period, the impact will be included in the tax provision in the statement of operations.

## **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**

Recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on our present or future condensed consolidated financial statements.

## **ITEM 4. CONTROLS AND PROCEDURES.**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to our Principal Executive Officer and Principal Accounting and Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Principal Executive Officer and Principal Accounting and Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2011. Based on that evaluation, our Principal Executive Officer and Principal Accounting and Financial Officer concluded that as of June 30, 2011, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures are not effective to satisfy the objectives for which they are intended due to the material weakness noted in our internal controls over financial reporting.

### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Exchange Act defines internal control over financial reporting as a process designed by, or under the supervision of, our Principal Executive Officer and Principal Accounting and Financial Officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our management, including the Principal Executive Officer and Principal Accounting and Financial Officer, does not expect that our internal controls over financial reporting and procedures will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on our assessment we determined that, as of June 30, 2011, our internal controls over financial reporting are not effective at the reasonable assurance level based on those criteria. See our Annual Report included in our Form 10-K for the year ended December 31, 2010, for a complete description of the material weaknesses identified.

This Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this Report.

### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting during the fiscal quarter ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

More recently, and during September of the fiscal year ended December 31, 2011, our former Principal Accounting and Financial Officer resigned and as a result our internal control procedures have been materially affected. The Company also had resignations of several other members of its executive management team and its Board of Directors that affected its internal control process throughout the fiscal year ending December 31, 2011.

During the first quarter of fiscal 2012, we began taking the necessary actions to remediate material weaknesses described above. We expect to implement the following corrective actions, including testing, during the year ending December 31, 2012:

- Our Board of Directors has begun the process of re-forming an Audit Committee comprised of independent directors, appointing a financial expert to the Board, and reviewing our existing Audit Committee charter and/or adopting a new charter. We expect the Audit Committee will operate independently of the Board as contemplated by its proposed charter and will be tasked with oversight of selection of our independent registered public accounting firm for the audit of our financial statements.
- We are in the process of adopting procedures designed to ensure better coordination, oversight and communication among the finance, human resources, and legal functions to ensure that no one person or department would have complete control in the accounting and financial reporting process. We intend to increase our staffing in the aforementioned departments in order to further this process.

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**PART II  
OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

*Bankruptcy Petition and Dismissal*

The Company, on June 26, 2011, filed a voluntary petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of California (the "Bankruptcy Court"), Case No. 11-10497-11 (the "Chapter 11 Case").

In connection with the Chapter 11 Case, the Company, as seller, and Cardium Healthcare, Inc., a wholly-owned subsidiary of Cardium Therapeutics, Inc., as purchaser (the "Purchaser"), entered into an Asset Purchase Agreement dated June 26, 2011 (the "Asset Purchase Agreement") pursuant to which the Company had agreed to sell substantially all of the assets of the Company pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, subject to court approval and the satisfaction of certain conditions set forth in the Asset Purchase Agreement.

Pursuant to the terms of the Asset Purchase Agreement, the Purchaser agreed to purchase the Company's assets for up to 6 million shares of Cardium Therapeutics, Inc. common stock ("Cardium Stock") based upon the then current price of the Cardium Stock on the NYSE Amex. The actual number of shares of Cardium Stock provided to the Company at closing was subject to adjustment based on the closing price of the Cardium Stock as of the date of such closing.

Consummation of the sale to the Purchaser was subject to a number of customary conditions, including, among others, the approval of the Asset Purchase Agreement through a private sale in the Bankruptcy Court; the accuracy of the representations and warranties of the parties; material compliance by the parties with their obligations under the Asset Purchase Agreement; and compliance with certain specified deadlines for actions in connection with the Bankruptcy Case.

Consummation of the sale to the Purchaser was also subject to obtaining an order of approval from the Bankruptcy Court (the "Sale Order"). The Asset Purchase Agreement was terminable by the Purchaser under a number of circumstances, including the Company's breach of certain representations and covenants and failure to obtain certain Bankruptcy Court orders by agreed dates.

On July 20, 2011, the Company's Motion to Sell Substantially all Assets of the Estate Free and Clear of Liens Claims and Interests and Assume and Assign Certain Executory Contracts Without Overbid ("Motion to Sell") was set for a hearing on July 18, 2011.

The Debtor's Motion to Sell, after proper notice to creditors and parties in interest came on for sequential hearings on July 18, 2011 and July 26, 2011 before the Honorable Peter W. Bowie, United States Bankruptcy Judge, presiding, was heard. The Court having read all documents filed in support and in opposition to the Motion, having heard oral argument of counsel, and good cause appearing, ordered that the Company's Motion to Sell was denied.

On November 21, 2011, in connection with the transactions described below, the Company requested that the Bankruptcy Court dismiss the Chapter 11 Case and retain jurisdiction to decide matters related to claims brought in the Bankruptcy Case by the Purchaser. On December 9, 2011, the Bankruptcy Court entered an order dismissing the Chapter 11 Case. In connection with the dismissal of the Chapter 11 Case, the Bankruptcy Court, among other things, declined to retain jurisdiction over claim objection proceedings and found moot the Company's objection to the claims to receive a break-up fee pursuant to the Asset Purchase Agreement of Cardium Therapeutics, Inc. and Cardium Healthcare, Inc., a wholly owned subsidiary of Cardium. The dismissal of the Chapter 11 Case was based upon the provisions of both 11 U.S.C. Sections 305(a) and 1112(b).

Currently, there are no legal proceedings.

**ITEM 1A. RISK FACTORS**

There were no material changes to our risk factors during the period covered by this report. See the discussion of risk factors in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

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## ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">31.1</a> *	Certification of Mark L. Baum, Esq., Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
<a href="#">31.2</a> *	Certification of Andrew R. Boll, Principal Financial and Accounting Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
<a href="#">32.1</a> *	Certification pursuant to 18 U.S.C Section 1350 as adopted pursuant to section 906 The Sarbanes-Oxley Act of 2002, executed by Mark L. Baum, Esq., Principal Executive Officer
<a href="#">32.2</a> *	Certification pursuant to 18 U.S.C Section 1350 as adopted pursuant to section 906 The Sarbanes-Oxley Act of 2002, executed by Andrew R. Boll, Principal Financial and Accounting Office

\* Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### **Transdel Pharmaceuticals, Inc.**

Dated: February 23, 2012

By: /s/ Mark L. Baum

Mark L. Baum, Esq.

Secretary and Chairman of the Board of Directors  
(Principal Executive Officer)

**EXHIBIT INDEX**

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<a href="#">32.2</a> *	Certification pursuant to 18 U.S.C Section 1350 as adopted pursuant to section 906 The Sarbanes-Oxley Act of 2002, executed by Andrew R. Boll, Principal Financial and Accounting Office

\* Filed herewith.

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER UNDER  
SECTION 302 OF THE SARBANES-OXLEY ACT

I, Mark L. Baum, Principal Executive Officer of Transdel Pharmaceuticals, Inc., certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Transdel Pharmaceuticals, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- (5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2012

/s/ Mark L. Baum

Mark L. Baum, Esq.

Secretary and Chairman of the Board of Directors  
(Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER UNDER  
SECTION 302 OF THE SARBANES-OXLEY ACT

I, Andrew R. Boll, Principal Financial Officer of Transdel Pharmaceuticals, Inc., certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Transdel Pharmaceuticals, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- (5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2012

/s/ Andrew R. Boll

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Andrew R. Boll  
Vice-President of Accounting and Public Reporting  
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Mark L. Baum, Principal Executive Officer of Transdel Pharmaceuticals, Inc. (the “**Company**”), DOES HEREBY CERTIFY that:

1. The Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011 (the “**Report**”), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement this 23<sup>rd</sup> day of February, 2012.

/s/ Mark L. Baum

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Mark L. Baum, Esq.

Secretary and Chairman of the Board of Directors  
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Transdel Pharmaceuticals, Inc. and will be retained by Transdel Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Andrew R. Boll, Principal Accounting and Financial Officer of Transdel Pharmaceuticals, Inc. (the “**Company**”), DOES HEREBY CERTIFY that:

1. The Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011 (the “**Report**”), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement this 23<sup>rd</sup> day of February, 2012.

/s/ Andrew R. Boll

\_\_\_\_\_  
Andrew R. Boll  
Vice-President of Accounting and Public  
Reporting  
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Transdel Pharmaceuticals, Inc. and will be retained by Transdel Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.