TorreyPines Therapeutics, Inc.
Form PRE 14A
May 29, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

TORREYPINES THERAPEUTICS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common Stock, par value $0.001

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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TORREYPINES THERAPEUTICS, INC.

11085 North Torrey Pines Road

Suite 300

La Jolla, California 92037

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On , 2009

Dear Stockholder:

You are cordially invited to attend the Special Meeting of Stockholders (the Special Meeting) of TorreyPines Therapeutics, Inc., a Delaware corporation (the Company). The meeting will be held on , , 2009 at : a.m. local time at the Company s executive offices located at 11085 North Torrey Pines Road, Suite 300, La Jolla, California 92037 for the following purposes:

1. To approve the liquidation and dissolution of the Company pursuant to a Plan of Liquidation and Dissolution of the Company (the Plan of Dissolution), substantially in the form of Appendix A attached to the accompanying proxy statement.

2. To consider and vote upon a proposal to adjourn the Special Meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to approve the Plan of Dissolution referred to in proposal 1.

3. To conduct any other business properly brought before the meeting and any postponement or adjournment of the meeting.

These items of business are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on May 26, 2009 will be entitled to notice of the Special Meeting and to vote at the meeting or any adjournment or postponement thereof. A list of the Company s stockholders as of the close of business on May 26, 2009 will be available for inspection during normal business hours for ten days prior to the Special Meeting at the Company s executive offices located at 11085 North Torrey Pines Road, Suite 300, La Jolla, California 92037.

The Company s Board of Directors has carefully reviewed and considered the terms and conditions of the Plan of Dissolution and has concluded that the liquidation and dissolution of the Company, pursuant to the Plan of Dissolution, is in the best interests of the Company and its stockholders. **Therefore, the Company s Board of Directors has approved this proposal and recommends that you vote FOR the proposal set forth in the accompanying proxy statement.**

The Company urges you to read the accompanying proxy statement in its entirety and consider it carefully. Please pay particular attention to (i) the Risk Factors beginning on page 13 for a discussion of the risks related to the Plan of Dissolution, and (ii) Proposal No. 1: Approval of the Plan of Liquidation and Dissolution Description of the Plan of Dissolution and Dissolution Process Liquidating Distributions; Nature; Amount; Timing beginning on page 25.

It is very important that your shares be represented at the Special Meeting, regardless of the size of your holdings. The Plan of Dissolution cannot be approved and the transactions contemplated thereby cannot be consummated unless holders of a majority of the shares of our common stock outstanding on the record date vote for the approval of the Plan of Dissolution. Accordingly, whether or not you expect to attend the Special Meeting, the Company urges you to vote promptly by completing, dating, signing and returning the enclosed proxy card, or by voting over the telephone or the Internet as instructed in these materials. You may revoke your proxy at any time before it has been voted.

By Order of the Board of Directors

Craig Johnson

Chief Financial Officer and Secretary

La Jolla, California

May [ ], 2009

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Plan of Dissolution, passed upon the merits or fairness of the Plan of Dissolution nor passed upon the merits of the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

THIS PROXY STATEMENT AND ACCOMPANYING PROXY CARD ARE BEING MAILED ON OR ABOUT , 2009.

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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TORREYPINES THERAPEUTICS, INC.

11085 North Torrey Pines Road

Suite 300

La Jolla, California 92037

PROXY STATEMENT

FOR THE SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2009

Summary Term Sheet

The following is a summary of most material terms of the plan of dissolution of TorreyPines Therapeutics, Inc. (the Plan of Dissolution) detailed in this proxy statement and attached as Appendix A. This summary does not contain all of the information that is important to you. We urge you to read the entire document (including the appendices) before you decide whether to vote to approve the Plan of Dissolution. As used in this proxy statement, unless the context otherwise requires, the terms we, us, our, the Company, and TorreyPines refer to TorreyPines Therapeutics, Inc., a Delaware corporation.

About TorreyPines Therapeutics, Inc.

We were initially incorporated in Nevada on July 29, 1997 as Axonyx Inc. In October 2006, we were reincorporated in Delaware and changed our name to TorreyPines Therapeutics, Inc. Our principal executive offices are located at 11085 North Torrey Pines Road, Suite 300, La Jolla, California 92037, and our telephone number is (858) 623-5665. All of our public filings with the Securities and Exchange Commission are accessible from our corporate website at www.tptxinc.com. Information contained on the website is not a part of this proxy statement.

We are a biopharmaceutical company that has been committed to providing patients with better alternatives to existing therapies through the development and commercialization of small molecule compounds. Our goal has been to develop versatile product candidates each capable of treating a number of acute and chronic diseases and disorders such as migraine, acute and chronic pain, and xerostomia, or dry mouth. We have no products available for sale and have incurred losses since our inception.

The Plan of Dissolution

General

On May 19, 2009, our Board of Directors approved, subject to stockholder approval, the Plan of Dissolution. A Special Meeting of the Company s stockholders will be held at the Company s offices located at 11085 North Torrey Pines Road, Suite 300, La Jolla, CA 92037, on , 2009 at : a.m., local time. At the Special Meeting, you will be asked to consider and vote upon proposals to (i) approve the Plan of Dissolution; (ii) adjourn the Special Meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to approve the Plan of Dissolution (the Meeting Adjournment Proposal); and (iii) transact such other business as may properly come before the Special Meeting or any adjournments of the Special Meeting.

Reasons for the Dissolution

Our Board of Directors believes that the dissolution and liquidation of the Company is advisable and in our best interests and the best interests of our stockholders. Our Board of Directors considered at length, with the assistance of legal and financial advisors, potential strategic alternatives available to us, including continuing to execute on our strategic plan and further developing our product candidates. In making its determination, our Board of Directors considered, in addition to other pertinent factors:

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the potential enhanced stockholder value that might be derived if we were to continue to pursue development of our product candidates;

the risks associated with our ongoing business operations, including the risks associated with ongoing development of our product candidates;

the time and costs, including the costs of needed capital, associated with further development of our product candidates;

our general business prospects;

the unavailability of significant additional capital to conduct our product development activities and the continued difficulty of obtaining funding in the current economic environment;

the fact that we have been actively considering strategic alternatives and restructuring alternatives for some time and engaged P2 Partners LLC as a business development consultant in April 2008, engaged various investment banks to evaluate potential equity financings for the Company and engaged Merriman Curhan Ford in April 2009 to assist in the evaluation of strategic options, including the possible sale of the Company or its assets; and

the fact that our efforts to identify and complete a financing or strategic transaction that would have a reasonable likelihood of providing value to our stockholders in excess of the amount the stockholders would receive in a liquidation, or that would mitigate the risks of our ongoing operations, did not result in the identification of any likely transactions.

Our Board of Directors concluded that dissolution and liquidation under Delaware law is the preferred strategy among the alternatives available to us, is in the best interests of our stockholders and has adopted the Plan of Dissolution and recommends that our stockholders approve the Plan of Dissolution. See Proposal 1: Approval of the Plan of Liquidation and Dissolution Reasons for the Plan of Dissolution.

Our Activities Following the Adoption of the Plan

If our stockholders approve the Plan of Dissolution, we intend to complete the following steps at such times as our Board of Directors, in its discretion and in accordance with Delaware law deems necessary, appropriate or advisable in the best interest of the Company and its stockholders:

file a Certificate of Dissolution with the Secretary of State of the State of Delaware;

cease conducting normal business operations, except as may be required to wind up our business affairs;

attempt to convert, sell or otherwise dispose of all of our remaining non-cash assets for cash or cash equivalents in an orderly fashion;

pay or attempt to adequately provide for the payment of all of our known obligations and liabilities; and

distribute pro rata in one or more liquidating distributions all of our remaining assets, if any, to our stockholders as of the applicable record date.

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Our Board of Directors may, to the full extent permitted by law, amend the Plan of Dissolution without any further stockholder approval if it determines that such amendment is in the best interest of our stockholders. In addition, if the Board of Directors determines that liquidation and dissolution are not in the best interests of our stockholders, the Board of Directors may direct that the Plan of Dissolution be abandoned, either before or after stockholder approval.

Sale of Our Assets

The Plan of Dissolution contemplates the sale of all of our remaining non-cash assets without further stockholder approval. Stockholder approval of the Plan of Dissolution will constitute approval of any and all such future asset dispositions on such terms as are approved by our Board of Directors in its sole discretion. The prices at which we will be able to sell our various assets depend largely on factors beyond our control, including, without limitation, the condition of financial markets, the availability of financing to prospective purchasers of our assets, any required United States and foreign regulatory approvals, public market perceptions and limitations on transferability of certain assets.

Return of Assets

We in-licensed tezampanel and NGX426, our clinical stage ionotropic glutamate receptor antagonist product candidates, pursuant to the terms of our agreement with Eli Lilly & Company (Eli Lilly) dated April 21, 2003, as amended on November 21, 2008 (the Lilly Agreement). Upon the filing of the Certificate of Dissolution with the Secretary of State of the State of Delaware, Eli Lilly will have the right to terminate the Lilly Agreement and all rights granted by Eli Lilly to the Company for the licensed patents and know-how, including know-how developed by the Company, will revert to Eli Lilly. Upon the termination of the Lilly Agreement we will no longer have or be able to sell any rights to tezampanel and NGX426.

Expected Distributions to Stockholders; Timing

Based on our current projections of operating expenses and liquidation costs, unless we are able to sell some or all of our assets for more than the total amount of our current obligations and liabilities, we believe that we will not make any liquidating distributions to stockholders. For this reason, our Board of Directors believes that it is in the best interests of the stockholders to use the remaining cash on hand to continue to pursue the monetization of our assets as this could ultimately provide a return to the stockholders. The actual amount available for any such distribution would be net of any costs associated with the sale of the assets and payment of our outstanding obligations and liabilities and would be dependent upon the amount and type of consideration received, if any, for the sale of such assets. In addition, even if we are able to sell our assets for more than the total amount of our current obligations and liabilities, we may not be able to make any distribution to the stockholders or any distribution to stockholders may be minimal if we discover additional liabilities or claims or incur unexpected or greater than expected operating expenses and liquidating costs.

Although our Board of Directors has not established a firm timetable for completing the liquidation of our assets, the Board of Directors intends to, subject to contingencies inherent in winding up our business, make stockholder distributions, if any, as promptly as practicable following the liquidation of such assets. All liquidating distributions from us will be made to stockholders based upon their holdings of common stock as of a final record date. Subject to the provisions of Delaware law, we expect to conclude the liquidation prior to the third anniversary of the filing of the Certificate of Dissolution with the Delaware Secretary of State.

Treatment of Stock Options and Warrants

If stockholders approve the Plan of Dissolution, all outstanding unvested options to purchase shares of our common stock under our incentive plans will fully vest. Options to acquire shares of our common stock granted under our incentive plans that are outstanding immediately prior to the approval of the Plan of Dissolution, vested or unvested, will be cancelled as of the date on which our Certificate of Dissolution is filed with the Delaware Secretary of State.

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If the stockholders approve the Plan of Dissolution, we are required to mail to holders of outstanding warrants to purchase our common stock a notice stating the date on which the liquidation is expected to become effective, and the date as of which it is expected that holders of common stock of record will be entitled to exchange their shares of common stock for securities or other property, if any, deliverable upon such liquidation.

Unless and until an option or warrant is exercised and payment of the applicable exercise price or strike price is made, option and warrant holders are not entitled to any cash distributions with respect to their options or warrants payable under the Plan of Dissolution.

Contingent Liabilities; Contingency Reserve

In connection with our dissolution, we are required by Delaware law to pay or provide for payment of all of our liabilities and obligations. Following the date we file our Certificate of Dissolution with the Delaware Secretary of State, we will pay all expenses and other known liabilities and establish a contingency reserve, consisting of cash or other assets, that we believe will be adequate for the satisfaction of all current, contingent or conditional claims and liabilities. We also may take other steps we determine are reasonably calculated to provide for the satisfaction of the reasonably estimated amount of such liabilities. We are currently unable to provide a precise estimate of the amount of the contingency reserve or the cost of other steps we may undertake to make provision for the satisfaction of liabilities and claims, but any such amount will be deducted before the determination of amounts available for distribution to stockholders. From time to time, we may distribute to our stockholders on a pro rata basis any portions of the contingency reserve that we deem no longer to be required. In the event we fail to create an adequate contingency reserve for payment of our expenses and liabilities and amounts have been distributed to the stockholders under the Plan of Dissolution, each stockholder could be held liable for the repayment to creditors of such stockholder s pro rata portion of the shortfall out of the liquidation distributions received by such stockholder from us under the Plan of Distribution. See Proposal 1: Approval of the Plan of Liquidation and Dissolution Description of the Plan of Dissolution and Dissolution Process Contingent Liabilities; Contingency Reserve.

Several lawsuits were filed against us in February 2005 in the U.S. District Court for the Southern District of New York asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Rule 10b-5 thereunder on behalf of a class of purchasers of our common stock during the period from June 26, 2003, through and including February 4, 2005, referred to as the class period. Dr. Marvin S. Hausman, M.D., a former director and our former Chief Executive Officer, and Dr. Gosse B. Bruinsma, M.D., also a former director and our former Chief Executive Officer, were also named as defendants in the lawsuits. These actions were consolidated into a single class action lawsuit in January 2006. On April 10, 2006, the class action plaintiffs filed an amended consolidated complaint. We filed our answer to that complaint on May 26, 2006. Our motion to dismiss the consolidated amended complaint was filed on May 26, 2006 and was submitted to the court for a decision in September 2006. On March 31, 2009 the U.S. District Court for the Southern District of New York dismissed the proceedings. On April 24, 2009 an appeal was filed with the United States Court of Appeals for the Second Circuit by the class action plaintiffs. We have purchased liability insurance, however, if any costs or expenses associated with the litigation exceed the insurance coverage, we may be forced to bear some or all of these costs and expenses directly.

Reporting Requirements

Whether or not the Plan of Dissolution is approved, we have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act, even though compliance with such reporting requirements may be economically burdensome and of minimal value to our stockholders. If the Plan of Dissolution is approved by our stockholders, in order to curtail expenses, we intend to seek relief from the Securities and Exchange Commission (the SEC) to suspend our reporting obligations under the Exchange Act, and ultimately to terminate the registration of our common stock. We anticipate that, if granted such relief, we would continue to file current reports on Form 8-K to disclose material events relating to our dissolution and liquidation along with any other reports that the SEC might require. However, the SEC may not grant us the requested relief.

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Cessation of Trading of Common Stock; Closing of Stock Transfer Books

We anticipate that we will request that our common stock be delisted from the Nasdaq Global Market at the close of business on the date that we file the Certificate of Dissolution with the Delaware Secretary of State and that trading will be suspended on that date or as soon thereafter as is reasonably practicable. We also currently expect to close our stock transfer books on or around the date that we file the Certificate of Dissolution with the Delaware Secretary of State and to discontinue recording transfers and issuing stock certificates (other than replacement certificates) at that time. Accordingly, it is expected that trading in our shares of common stock will cease after the date that we file the Certificate of Dissolution with the Delaware Secretary of State.

Material United States Federal Income Tax Consequences of Our Dissolution and Liquidation

After the approval of the Plan of Dissolution and until the liquidation is completed, our taxable income, if any, will continue to be subject to Federal and state income taxation. Upon the sale of any of our assets in connection with our liquidation, we will recognize gain or loss, and may recognize gain upon any distribution of non-cash assets that may or may not be offset by the Company s net operating loss carryforwards. We currently do not anticipate making distributions of property other than cash to stockholders in our liquidation. In the event we were to make a liquidating distribution of property other than cash to our stockholders, we will recognize gain or loss upon the distribution of such property as if we sold the distributed property for its fair market value on the date of the distribution. We currently do not anticipate that our dissolution and liquidation pursuant to the Plan of Dissolution will produce a material corporate tax liability for U.S. federal income tax purposes.

Interests of Directors and Officers in the Plan of Dissolution

In considering the recommendation of our Board of Directors, you should be aware that some of our directors and executive officers may have interests in the Plan of Dissolution that are different from or in addition to your interests as a stockholder and that may present actual or potential conflicts of interest. Our Board of Directors was aware of these interests and considered them, among other matters, in approving the Plan of Dissolution and the transactions contemplated thereby and in determining to recommend that TorreyPines Therapeutics stockholders vote **FOR** the approval of the Plan of Dissolution. You should consider these and other interests of our directors and executive officers that are described in this proxy statement.

On May 27, 2009 we received notice from Dr. Jean Deleage that he was resigning from the Company s Board of Directors effective immediately. Dr. Deleage is a managing director of Alta Partners, which owned 13.9% of the Company s common stock as of May 26, 2009. No reason was given for Dr. Deleage s resignation.

On May 29, 2009 we received notice from Mr. Patrick Van Beneden that he was resigning from the Company s Board of Directors effective immediately. Mr. Van Beneden is Executive Vice President Life Sciences of GIMV N.V., which owned 13.9% of the Company s common stock as of May 26, 2009. No reason was given for Mr. Van Beneden s resignation.

Required Stockholder Vote

The approval of the Plan of Dissolution requires the affirmative vote of a majority of the outstanding shares of our common stock. Abstentions and broker non-votes will have the same effect as votes against the proposal to approve the Plan of Dissolution.

Recommendation of our Board of Directors

At a meeting held on May 19, 2009, each member of our Board of Directors: (i) determined that the liquidation and dissolution of the Company, and the other transactions contemplated thereby, are fair to, advisable and in the best interests of us and our stockholders, (ii) approved in all respects the Plan of Dissolution and the other transactions contemplated thereby, and (iii) recommended that our stockholders vote **FOR** the approval and adoption of the Plan of Dissolution.

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CAUTION AGAINST FORWARD-LOOKING STATEMENTS

This proxy statement contains certain forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from our expectations of future results, performance or achievements expressed or implied by such forward-looking statements. These risks include the risk that we may incur additional liabilities, that we may have liabilities about which we are not currently aware, that the value of our non-cash assets could be lower than anticipated, and that the cost of settlement of our liabilities and litigation matters could be higher than expected, all of which would impact our ability to make any distributions to our stockholders. Although we believe that the expectations reflected in any forward-looking statements are reasonable, we cannot guarantee future events or results. Except as may be required under federal law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.

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QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

General Questions

Why am I receiving these materials?

We have sent you this proxy statement and the enclosed proxy card because the Board of Directors of TorreyPines Therapeutics, Inc. (sometimes referred to as the we , us , Company or TorreyPines) is soliciting your proxy to vote at the Special Meeting. You are invited to attend the Special Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or on the Internet.

Who can vote at the Special Meeting?

Only stockholders of record at the close of business on May 26, 2009, the record date of the Special Meeting, will be entitled to vote at the Special Meeting. At the close of business on this record date, there were 15,999,058 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If, at the close of business on May 26, 2009, your shares were registered directly in your name with our transfer agent, American Stock Transfer, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If, at the close of business on May 26, 2009, your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Special Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Special Meeting. However, because you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

Whether to approve the Plan of Dissolution and the liquidation and dissolution of TorreyPines Therapeutics, Inc., pursuant to the Plan of Dissolution attached as Appendix A to this proxy statement. Additionally, stockholders will consider and vote on a proposal to adjourn the Special Meeting to another date, time or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of the proposed Plan of Dissolution and any other matter that is properly presented at the meeting will also be voted upon at that time.

How do I vote?

You may vote For or Against any of the proposals or abstain from voting.

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Special Meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the Special Meeting and we will give you a ballot when you arrive.

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To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Special Meeting, we will vote your shares as you direct.

To vote over the telephone, available only for stockholders in the USA, Canada and Puerto Rico stockholders only, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time on , 2009 to be counted.

To vote on the Internet, go to www.proxyvote.com to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time on , 2009 to be counted.

Beneficial Owner: Shares Registered in the Name of Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or bank. To vote in person at the Special Meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of the Company s common stock you own as of May 26, 2009.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted For the Plan of Dissolution and the liquidation and dissolution of the Company and For the Meeting Adjournment Proposal, if necessary. If any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using his best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return *each* proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

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You may send a timely written notice that you are revoking your proxy to our corporate Secretary at 11085 North Torrey Pines Road, Suite 300, La Jolla, California 92037.

You may attend the Special Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy. If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and Against votes, abstentions and broker non-votes. Abstentions will be counted for the purpose of determining both the presence of a quorum and the vote total for each proposal, and will have the same effect as Against votes. Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business, but they will not be counted towards the vote total for any proposal and will have the same effect as Against votes.

What are broker non-votes ?

Broker non-votes occur when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of the New York Stock Exchange, non-routine matters are generally those involving a contest or a matter that may substantially affect the rights or privileges of shareholders, such as mergers, dissolutions or shareholder proposals.

How many votes are needed to approve the Plan of Dissolution?

To be approved, the Plan of Dissolution must receive For votes from the holders of a majority of issued and outstanding shares of our common stock entitled to vote either in person or by proxy. Abstentions and broker non-votes will have the same effect as votes Against the proposal to approve the Plan of Dissolution. As of the record date, there were 15,999,058 shares outstanding, of which the directors and executive officers of the Company beneficially owned and are entitled to vote, in the aggregate, 5,916,946 shares, representing 37% of the outstanding shares. The directors and executive officers have informed us that they intend to vote all of their shares of the Company s common stock For the approval of the Plan of Dissolution.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares are present at the meeting in person or represented by proxy. At the close of business on the record date, there were 15,999,058 shares outstanding and entitled to vote. Thus, the holders of 7,999,530 shares must be present in person or represented by proxy at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

Can I still sell my shares of TorreyPines Therapeutics, Inc. common stock?

Yes, but only until the filing of our Certificate of Dissolution. Our common stock is listed on the Nasdaq Stock Market. We anticipate that we will request that our common stock be delisted from the Nasdaq Stock Market immediately prior to the filing of the Certificate of Dissolution with the Delaware Secretary of State. In addition, we intend to close our stock transfer books and

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discontinue recording transfers of shares of our common stock at the close of business on the date we file the Certificate of Dissolution with the Delaware Secretary of State. Thereafter, certificates representing shares of our common stock will not be assignable or transferable on our books except by will, intestate succession or operation of law. See Proposal No. 1 Approval of the Plan of Liquidation and Dissolution Description of the Plan of Dissolution and Dissolution Process Listing and Trading of the Common Stock and Interests in the Liquidating Trust or Trusts.

Questions and Answers Concerning the Plan of Dissolution

How does the Board of Directors recommend I vote on the proposal to approve the Plan of Dissolution and the Meeting Adjournment Proposal?

The Board of Directors recommends that you vote **FOR** the authorization and approval of the Plan of Dissolution and **FOR** the Meeting Adjournment Proposal, if necessary.

Why is the Board of Directors recommending approval of the Plan of Dissolution?

We have incurred losses since our inception and we do not have, nor have we ever had, products available for sale. Between the spring of 2007 and May 2009, our management, with the approval of our Board of Directors, including Board members Jean Deleage, who resigned from our Board of Directors on May 27, 2009, who is a managing director of Alta Partners, which owned 13.9% of our common stock as of May 26, 2009, Patrick Van Beneden, who resigned from our Board of Directors on May 29, 2009, who is the Executive Vice President Life Sciences of GIMV, N.V., which owned 13.9% of our common stock as of May 26, 2009 and Jason Fisherman, who is a managing director of Advent Healthcare Ventures, which owned 8.3% of our common stock as of May 26, 2009, considered and reviewed numerous strategies to maintain an operating business, including negotiations with potential investors, acquirors or licensing partners, reductions in our workforce and the restructuring of the Company, none of which ultimately proved viable. As detailed in this proxy statement, our Board of Directors determined that it was in the best interests of our stockholders to adopt the Plan of Dissolution providing for the payment of outstanding creditor claims and the distribution of the balance of the Company s remaining assets, if any, to stockholders in accordance with Delaware law. See Proposal No. 1 Approval of the Plan of Liquidation and Dissolution Background and Reasons for the Plan of Dissolution.

What will happen if the Plan of Dissolution is approved?

If the Plan of Dissolution is approved, we plan to file a Certificate of Dissolution with the Delaware Secretary of State, complete the liquidation of our remaining assets, satisfy our remaining obligations and make distributions to our stockholders of available liquidation proceeds, if any.

We may, at any time, turn our management over to a third party to complete the liquidation of our remaining assets and distribute the available liquidation proceeds, if any, to our stockholders, pursuant to the Plan of Dissolution, including an assignment for the benefit of creditors. This third-party management may be in the form of a liquidating trust, which, if adopted, would succeed to all of our assets, liabilities and obligations. Our Board of Directors, or a special committee of the Board of Directors may appoint one or more of its members, one or more of our officers or a third party to act as trustee or trustees of such liquidating trust. See Proposal No. 1 Approval of the Plan of Liquidation and Dissolution Description of the Plan of Dissolution and Dissolution Process Liquidating Trust.

What will happen to the Company s assets, tezampanal and NGX426 if the Plan of Dissolution is approved?

Upon our filing the Certificate of Dissolution with the Delaware Secretary of State, Eli Lilly will have the right to terminate the development and license agreement between us and Eli Lilly dated April 21, 2003, as amended. If Eli Lilly exercises its termination right at that time, the agreement will terminate and all intellectual property and know-how that we licensed from Eli Lilly, or developed following such in-license, will revert back to Eli Lilly.

What is the total amount of the payments, if any, that stockholders will receive?

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Based on our current projections of operating expenses and liquidation and dissolution costs, unless we are able to sell some or all of our assets for more than the total amount of our current liabilities and obligations, we expect that our stockholders will not receive any distributions. We cannot guarantee that any of our assets will be sold or that distributions will be made. See Proposal No. 1 Approval of the Plan of Liquidation and Dissolution Description of the Plan of Dissolution and Dissolution Process Liquidating Distributions; Nature; Amount; Timing.

As of March 31, 2009, we had approximately $6.3 million of cash and cash equivalents and our total liabilities on our balance sheet were approximately $4.9 million. We expect to pay all expenses and other known liabilities and establish a contingency reserve, consisting of cash or other assets, that we believe will be adequate for the satisfaction of all current, contingent or conditional claims and liabilities, including the lawsuit pending against us. In addition to the satisfaction of our liabilities, we have used and anticipate continuing to use cash in the next several months for a number of items, including, but not limited to, the following:

ongoing operating expenses;

expenses incurred in connection with extending our directors and officers insurance coverage;

expenses incurred in connection with the liquidation and dissolution process;

severance and related costs; and

professional, legal, consulting and accounting fees.

When do you expect the dissolution process to be completed?

Upon approval of the Plan of Dissolution by our stockholders, we will work toward an orderly wind down of our business and operations. Subject to stockholder approval of the Plan of Dissolution, we currently expect to file a Certificate of dissolution as soon as reasonably practicable following stockholder approval of the Plan of Dissolution and expect to have the majority of our business operations completed by that time. Additionally, pursuant to the Delaware law, our corporate existence will continue for a period of at least three years, but we would not be permitted to carry on any business except that appropriate to wind up and liquidate our business and affairs.

Should I send in my stock certificates now?

No. You should not forward your stock certificates before receiving instructions to do so. As a condition to the receipt of any distribution to the stockholders, we may, in our discretion, require stockholders to (i) surrender their certificates evidencing their shares of TorreyPines Therapeutics common stock to us or (ii) furnish us with evidence satisfactory to us of the loss, theft or destruction of such certificates, together with such surety bond or other security or indemnity as may be required by and satisfactory to us. If surrender of stock certificates will be required following the dissolution, we will send you written instructions regarding such surrender. Any distributions otherwise payable by us to stockholders who have not surrendered their stock certificates, if requested to do so, may be held in trust for such stockholders, without interest, pending the surrender of such certificates (subject to escheat pursuant to the law relating to unclaimed property).

What are the material United States Federal income tax consequences of our dissolution and liquidation?

After the approval of the Plan of Dissolution and until the liquidation is completed, we will continue to be subject to Federal income taxation on our taxable income. We will recognize gain or loss with respect to the sale of our assets, and may recognize gain upon any distribution of non-cash assets.

Liquidating distributions received by our stockholders, if any, will be applied against and reduce each stockholder s tax basis in such stockholder s shares of stock. Gain will be recognized as a result of a liquidating distribution to the extent that the aggregate value of the distribution and any prior liquidating distributions received by a stockholder with respect to a share exceeds such

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stockholder s basis for that share. A loss will generally be recognized if the aggregate value of all liquidating distributions with respect to a share is less than the stockholder s tax basis for that share. Gain or loss recognized by a stockholder will be capital gain or loss provided the shares are held as capital assets, and will generally be long-term capital gain or loss if the stock has been held for more than one year. See Proposal No. 1 Approval of the Plan of Liquidation and Dissolution Material United States Federal Income Tax Consequences of Our Dissolution and Liquidation.

The tax consequences of the Plan of Dissolution may vary depending upon the particular circumstances of each stockholder. We recommend that each stockholder consult its own tax advisor regarding the Federal income tax consequences of the Plan of Dissolution as well as the state, local and foreign tax consequences.

What will happen if the Plan of Dissolution is not approved?

If the Plan of Dissolution is not approved by our stockholders, the liquidation and dissolution of the Company will not occur and our Board of Directors and management will continue to explore other strategic alternatives. Because management and our Board of Directors believe that the Company has exhausted all reasonable and viable strategic alternatives, it is likely that the Company would cease operations, make an assignment for the benefit of creditors, turn the Company over to a third-party management company or liquidator or file for bankruptcy protection.

Do I have appraisal rights?

Under Delaware law, you do not have appraisal rights in connection with any of the proposals.

Who can help answer my questions?

If you would like additional copies, without charge, of this proxy statement or if you have questions about the Plan of Dissolution or the transactions contemplated thereby, including the procedures for voting your shares, you should contact Craig Johnson, our Chief Financial Officer and Secretary, by phone at (858) 623-5665 or by mail at TorreyPines Therapeutics, Inc., 11085 North Torrey Pines Road, Suite 300, La Jolla, California 92037.

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Risk Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution

There are many factors that our stockholders should consider when deciding whether to vote to approve the Plan of Dissolution. Such factors include those risk factors set forth below. You should carefully consider the following risk factors, together with all of the other information included in this proxy statement, before you decide whether to vote or instruct your vote to be cast to approve the proposals described in this proxy statement.

If our stockholders vote against the Plan of Dissolution, it would be very difficult for us to continue our business operations.

If our stockholders do not approve the Plan of Dissolution, we would have to continue our business operations from a difficult position, in light of our announced intent to liquidate and dissolve. We are not actively conducting any clinical development programs and have generally ceased normal business operations and terminated all but three of our employees. Prospective employees, vendors and other third parties may refuse to form relationships or conduct business with us if they do not believe we will continue to operate as a going concern.

We cannot assure you of the exact amount or timing of any distribution to our stockholders under the Plan of Dissolution.

The liquidation and dissolution process is subject to numerous uncertainties, may fail to create value to our stockholders and may not result in any remaining capital for distribution to our stockholders. The precise nature, amount and timing of any distribution to our stockholders will depend on and could be delayed by, among other things, sales of our non-cash assets, claim settlements with creditors, resolution of the outstanding lawsuit, and unexpected or greater than expected expenses. Furthermore, any amounts to be distributed to our stockholders may be less than the price or prices at which our common stock has recently traded or may trade in the future.

Our Board of Directors may abandon or delay implementation of the Plan of Dissolution even if approved by our stockholders.

Even if our stockholders approve the Plan of Dissolution, our Board of Directors has reserved the right, in its discretion, to the extent permitted by Delaware law, to abandon or delay implementation of the Plan of Dissolution, in order, for example, to permit us to pursue new business opportunities or strategic transactions.

The payment of liquidating distributions, if any, to our stockholders could be delayed.

Although our Board of Directors has not established a firm timetable for liquidating distributions to our stockholders, the Board of Directors intends, subject to contingencies inherent in winding down our business, to make such liquidating distributions, if any, as promptly as practicable as creditor claims are paid or settled. However, we are currently unable to predict the precise timing of any such liquidating distributions or whether any liquidating distributions will occur at all. The timing of any such liquidating distributions will depend on and could be delayed by, among other things, the timing of sales of our non-cash assets and claim settlements with creditors. Additionally, a creditor could seek an injunction against the making of such distributions to our stockholders on the ground that the amounts to be distributed were needed to provide for the payment of our liabilities and expenses. Any action of this type could delay or substantially diminish the amount available for such distribution to our stockholders.

We will continue to incur claims, liabilities and expenses that will reduce the amount available for distribution out of the liquidation to stockholders.

Claims, liabilities and expenses from operations, such as operating costs, salaries, directors and officers insurance payroll and local taxes, legal, accounting and consulting fees and miscellaneous office expenses, will continue to be incurred as we wind down. These expenses will reduce the amount of assets available for ultimate distribution to stockholders, if any. If available cash and amounts received on the sale of non-cash assets are not adequate to provide for our obligations, liabilities, expenses and claims, we may not be able to make meaningful cash liquidation distributions, or any cash liquidation distributions at all, to our stockholders.

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If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each stockholder receiving liquidating distributions could be held liable for payment to our creditors of his, her or its pro rata share of amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder in dissolution.

If the Plan of Dissolution is approved by our stockholders, we will file a Certificate of Dissolution with the Secretary of State of Delaware dissolving TorreyPines Therapeutics, Inc. Pursuant to the Delaware General Corporation Law, we will continue to exist for three years after the Certificate of Dissolution is filed or for such longer period as the Delaware Court of Chancery shall direct, for the purpose of prosecuting and defending suits against us and enabling us gradually to close our business, to dispose of our property, to discharge our liabilities and to distribute to our stockholders any remaining assets. Under the Delaware General Corporation Law, in the event we fail to create during this three-year period an adequate contingency reserve for payment of our expenses and liabilities, each stockholder could be held liable for payment to our creditors of such stockholder s pro rata share of amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder in dissolution.

Although the liability of any stockholder is limited to the amounts previously received by such stockholder from us (and from any liquidating trust or trusts) pursuant to the Plan of Dissolution, this means that a stockholder could be required to return all liquidating distributions previously made to such stockholder and receive nothing from us under the Plan of Dissolution. Moreover, in the event a stockholder has paid taxes on amounts previously received, a repayment of all or a portion of such amount could result in a stockholder incurring a net tax cost if the stockholder s repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable. While we will endeavor to make adequate reserves for all known, contingent, and unknown liabilities, there is no guarantee that the reserves established by us will be adequate to cover all such expenses and liabilities. See Description of the Plan of Dissolution and Dissolution Process Contingent Liabilities; Contingency Reserve.

No further stockholder approval will be required.

Approval of the Plan of Dissolution and the actions contemplated thereby requires the affirmative vote of a majority of the votes cast at a meeting of stockholders duly called at which a quorum is present. If our stockholders approve the Plan of Dissolution, we will be authorized to cease operations, sell, license or otherwise dispose of our non-cash assets and dissolve the Company and its subsidiaries without further approval of our stockholders, unless required to do so by Delaware law.

Our common stock will be delisted from the Nasdaq Stock Market and our stock transfer books will close when we file the Certificate of Dissolution with the Delaware Secretary of State, after which it will not be possible for stockholders to publicly trade our stock.

We will request that our common stock be delisted from the Nasdaq Stock Market immediately prior to the filing of the Certificate of Dissolution with the Delaware Secretary of State and intend to close our stock transfer books and discontinue recording transfers of our common stock at the close of business on the date we file the Certificate of Dissolution with the Delaware Secretary of State, referred to as the final record date. Thereafter, certificates representing our common stock will not be assignable or transferable on our books except by will, intestate succession or operation of law. The proportionate interests of all of our stockholders will be fixed on the basis of their respective stock holdings at the close of business on the final record date, and, after the final record date, any distributions made by us will be made solely to the stockholders of record at the close of business on the final record date, except as may be necessary to reflect subsequent transfers recorded on our books as a result of any assignments by will, intestate succession or operation of law. It is possible that the trading of our common stock on the Nasdaq Stock Market will effectively terminate before the final record date if we are unable to meet the Nasdaq Stock Market s requirements for continued listing.

We expect to terminate registration of our common stock under the Exchange Act, which will substantially reduce publicly available information about the Company.

Our common stock is currently registered under the Exchange Act, which requires that we, and our officers and directors with respect to Section 16 of the Exchange Act, comply with certain public reporting and proxy statement requirements thereunder. Compliance with these requirements is costly and time-consuming. We anticipate that, if our stockholders approve the Plan of Dissolution, in order to curtail expenses, we will, after filing a Certificate of Dissolution, discontinue making filings under the Exchange Act. However, we anticipate that we will continue to file with the SEC current reports on Form 8-K to disclose material events relating to our liquidation and dissolution until the effectiveness of the termination of the registration of our common stock

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by filing a Form 15 with the SEC. However, the SEC may not grant any such relief, in which case we would be required to continue to bear the expense of being a public reporting company.

Our Board of Directors may at any time turn management of the liquidation of TorreyPines Therapeutics, Inc. over to a third party, and some or all of our directors may resign from our Board of Directors at that time.

Our Board of Directors may at any time turn our management over to a third party to complete the liquidation of our remaining assets and distribute the available proceeds to our stockholders, and some or all of our directors may resign from our Board of Directors at that time. If management is turned over to a third party and all of our directors resign from our Board of Directors, the third party would have sole control over the liquidation process, including the sale or distribution of any remaining assets.

If we decide to use a liquidating trust, interests of our stockholders in such a trust may not be transferable.

The interests of our stockholders in a liquidating trust set up by us may not be transferable, which could adversely affect your ability to realize the value of such interests. Even if transferable, the interests are not expected to be listed on a national securities exchange or quoted through the Nasdaq Stock Market, and the extent of any trading market therein cannot be predicted. Moreover, the interests may not be accepted by commercial lenders as security for loans as readily as more conventional securities with established trading markets. In addition, as stockholders will be deemed to have received a liquidating distribution equal to their pro rata share of the value of the net assets distributed to an entity which is treated as a liquidating trust for tax purposes, the distribution of non-transferable interests would result in tax liability to the interest holders without their being readily able to realize the value of such interest to pay such taxes or otherwise.

Tax treatment of any liquidating distributions may vary from stockholder to stockholder, and the discussions in this proxy statement regarding such tax treatment are general in nature. You should consult your own tax advisor instead of relying on the discussions of tax treatment in this proxy for tax advice.

We have not requested a ruling from the Internal Revenue Service with respect to the anticipated tax consequences of the Plan of Dissolution, and we will not seek an opinion of counsel with respect to the anticipated tax consequences of any liquidating distributions. If any of the anticipated tax consequences described in this proxy statement proves to be incorrect, the result could be increased taxation at the corporate and/or stockholder level, thus reducing the benefit to our stockholders and us from the liquidation and distributions. Tax considerations applicable to particular stockholders may vary with and be contingent upon the stockholder s individual circumstances.

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PROPOSAL 1

APPROVAL OF THE PLAN OF LIQUIDATION AND DISSOLUTION

General

Our Board of Directors is presenting the Plan of Dissolution for approval by our stockholders at the Special Meeting. The Plan of Dissolution was approved by the Board of Directors, subject to stockholder approval, on May 19, 2009. A copy of the Plan of Dissolution is attached as Appendix A to this proxy statement. All material features of the Plan of Dissolution are summarized below. **We encourage you to read the Plan of Dissolution in its entirety.**

Summary of the Plan of Dissolution and Dissolution Process

After stockholder approval of the Plan of Dissolution, our activities will be limited to:

- filing a Certificate of Dissolution with the Secretary of State of the State of Delaware and thereafter remaining in existence as a non-operating entity for three years;
- selling any of our remaining assets, including our intellectual property and other intangible assets;
- paying our creditors;
- terminating any of our remaining commercial agreements, relationships or outstanding obligations;
- establishing a contingency reserve for payment of our expenses and liabilities;
- preparing to make distributions, if any, to our stockholders;
- complying with the SEC reporting requirements, as necessary; and
- completing tax filings.

Delaware law provides that, following the approval of the Plan of Dissolution by our stockholders, the Board of Directors may take such actions as it deems necessary in furtherance of the dissolution of the Company and the winding up of its operations and affairs.

As of March 31, 2009, we had approximately $6.3 million of cash and cash equivalents and our total liabilities on our balance sheet were approximately $4.9 million. Based on our current projections of operating expenses and liquidation and dissolution costs, unless we are able to sell some or all of our assets for more than the total amount of our current obligations and liabilities, we expect that our stockholders will not receive any liquidating distributions. If we are able to distribute cash to our stockholders, we may distribute the balance of our available cash from time to time through one or more liquidating distributions. In addition to the satisfaction of liabilities, we have used and anticipate continuing to use cash in the next several months for a number of items, including, but not limited to, the following:

ongoing operating expenses;

expenses incurred in connection with extending our directors and officers insurance coverage;

expenses incurred in connection with the liquidation and dissolution;

severance and related costs; and

professional, legal, consulting and accounting fees.

In the event we are able to make distributions to stockholders, the actual nature, amount and timing of all liquidating distributions will be determined by the Board of Directors or a trustee designated by the Board of Directors, in its sole discretion, and will depend in part upon our ability to convert our remaining assets into cash and pay and settle our remaining liabilities and obligations. Any liquidating distributions from us will be made to stockholders according to their holdings of common stock as of a final record date, which shall be the date on which we close our stock transfer books and discontinue recording transfers of our common stock except for transfers by will, intestate succession or operation of law. Subject to the provisions of Delaware law, we expect to conclude the liquidation prior to the third anniversary of the filing of the Certificate of Dissolution with the Secretary of State of Delaware by a final liquidating distribution. See Risk Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution.

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We may, at any time, turn our management over to a third party to complete the liquidation of our remaining assets and distribute the proceeds from the sale of assets to our stockholders pursuant to the Plan of Dissolution, including an assignment for the benefit of creditors. This third-party management may also be in the form of a liquidating trust, which, if adopted, would succeed to all of our assets, liabilities and obligations. Our Board of Directors, or a special committee of our Board of Directors, may appoint one or more of its members, one or more of our officers or a third party to act as trustee or trustees of such liquidating trust. If all of our assets are not distributed within three years after the date our Certificate of Dissolution is filed with the Secretary of State of Delaware, we expect to transfer our remaining assets to a liquidating trust at such time.

During the liquidation of our assets, we may pay our officers, directors, employees and agents, or any of them, compensation for services rendered in connection with the implementation of the Plan of Dissolution. See Interests of Certain Directors and Executive Officers in Approval of the Plan of Dissolution. Such compensation is not expected to be materially different from the compensation that would be paid to an outside party for similar services.

Background for the Plan of Dissolution

Since inception, we have funded our operations primarily from the proceeds of private placements of our securities and through license and option fees, funding from our strategic alliance agreements, the sale of our genetics research program and interest income. We do not have nor have we ever had products available for sale and have incurred losses since our inception.

In the spring of 2007, management, with the approval of our Board of Directors, began an evaluation of options for raising additional funds for continuing operations. This action was based on an update by management on our financial position, our budget and the projected completion date for our Phase IIb clinical trial of our lead product candidate, tezampanel. In April 2007, the Company engaged Rodman & Renshaw, LLC to evaluate a potential PIPE equity financing for the Company. In May 2007, an independent pricing committee of our Board of Directors, consisting of Drs. Peter Davis and Steven Ferris recommended, and our full Board of Directors agreed, that the Company terminate its engagement of Rodman & Renshaw, LLC as no term sheet had been received following the efforts of the Company and Rodman & Renshaw, LLC.

In September 2007, we extended our gamma-secretase modulator discovery collaboration with Eisai Co, Ltd., or Eisai, focusing on the discovery of Alzheimer s disease targets using whole-genome family-based association screening. Under the terms of the agreement with Eisai and in connection with the extension, we received an upfront payment and continued research funding in support of the program for an additional year.

On October 22, 2007, we announced the results of our Phase IIb clinical trial of tezampanel, our most advanced AMPA/kainate receptor antagonist product candidate, for the treatment of acute migraine. In this clinical trial the 40 mg dose of tezampanel demonstrated statistically significant improvement on headache pain response, the primary endpoint, at two hours post-dose compared to placebo. Two other doses of tezampanel, 70 mg and 100 mg, were evaluated and also demonstrated efficacy across some secondary pain measures although neither dose reached statistical significance on the primary endpoint.

In November 2007, the Company once again engaged Rodman & Renshaw, LLC to evaluate a potential PIPE equity financing for the Company. In December 2007, an independent pricing committee of our Board of Directors, consisting of Drs. Peter Davis and Steven Ferris once again recommended, and our full Board of Directors agreed, that the Company terminate its engagement of Rodman & Renshaw, LLC as no term sheet had been received following the efforts of the Company and Rodman & Renshaw, LLC.

In 2008, we continued to evaluate potential equity financing options as well as strategic transactions for our product candidates, which included, tezampanel and NGX426 (an oral prodrug of tezampanel), and the muscarinic agonists NGX267 and NGX292. On April 1, 2008, we hired P2 Partners LLC to assist the Company as a business development consultant.

On February 28, 2008, our gamma-secretase modulator discovery collaboration with Eisai concluded. In connection with the conclusion of the agreement, and the associated funding from Eisai, the Company terminated 10 employees who were supported by funding from Eisai in connection with the agreement. Our Chief Medical Officer also resigned as of February 28, 2008.

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In March 2008, we initiated a Phase II, single dose, cross-over study clinical trial of NGX267, a muscarinic agonist in development for xerostomia, or dry mouth, secondary to Sjögren s syndrome. At a regularly scheduled meeting of the Board of Directors on May 6, 2008, as a cost saving measure our Board of Directors approved delaying further development of tezampanel for the potential treatment of migraine until the completion of a market analysis conducted by LEK Consulting to confirm the market opportunity for tezampanel. In June 2008, we initiated a Phase I clinical trial to evaluate the analgesic effect of NGX426, the oral prodrug of tezampanel. The clinical trial was designed to evaluate the compound s safety and tolerability and to assess the time of onset, magnitude and duration of its analgesic effect.

On June 11, 2008, TPTX, Inc. (TPTX), a wholly owned subsidiary of the Company entered into an agreement to borrow $3,600,000 (the Loan) pursuant to a Loan and Security Agreement (the Debt Agreement) with Comerica Bank (the Bank). The Loan was secured by a security interest in substantially all of the Company s assets granted pursuant to a Third Party Security Agreement between the Company and the Bank. The collateral under the Third Party Security Agreement included the Company s rights to payment arising from the sale, license or other disposition of the Company s intellectual property and to the underlying intellectual property if necessary to enforce the security interest in such payments. Pursuant to the terms of the Debt Agreement, the Company also executed an Unconditional Guaranty of TPTX s obligations under which the Company irrevocably guaranteed the prompt and complete payment of all amounts that TPTX owes to the Bank and performance by TPTX of the Debt Agreement and any other agreements between TPTX and the Bank. The outstanding principal under the Loan bears interest at a rate equal to 1.00% above the Bank s prime rate and will mature on June 11, 2011. On June 12, 2008, TPTX repaid the outstanding balance of $3,024,141 under its Loan and Security Agreement dated September 27, 2005 with Oxford Finance Corporation and Silicon Valley Bank (the Prior Agreement). The Prior Agreement and all instruments and documents related thereto (excluding warrants issued in connection with the Prior Agreement) terminated on June 12, 2008, including without limitation, the termination of all security interests, liens and encumbrances, in connection with the Prior Agreement.

On August 21, 2008, we received a deficiency notice from The Nasdaq Stock Market. The notice, in accordance with Nasdaq Marketplace Rule 4450(a)(5) Minimum Bid Price Requirement, stated that our common stock had closed below $1.00 per share for 30 consecutive business days. The notification had no immediate effect on the Nasdaq listing or trading of our common stock, but we were required to comply with the minimum $1.00 per share bid price requirement within 180 days of receiving the notice. Shortly after receiving the deficiency notice, Nasdaq temporarily suspended the Minimum Bid Price Requirement through April 20, 2009 due to extraordinary market conditions.

Effective August 31, 2008, our then Chief Executive Officer resigned and was replaced with Evelyn Graham, who had been our Chief Operating Officer.

On September 30, 2008, our genetics discovery collaboration with Eisai concluded. In connection with the conclusion of the agreement, and the associated funding from Eisai, we terminated 14 employees who were associated with the genetics agreement.

In October and November of 2008, we sold or licensed certain of our non-core assets with the primary transaction being the sale of the genetics program to Eisai for $1,500,000 cash. We also completed a restructuring of the Lilly Agreement. The restructuring resulted in a reduction in certain royalty amounts that may become payable to Eli Lilly on net sales of tezampanel and NGX426, should either or both gain regulatory approval. Specifically, the top tier royalty rate was reduced three percentage points and the middle tier royalty rate was reduced one-half percentage point. The bottom tier royalty rate remained unchanged. In addition, certain milestone payments due to Eli Lilly related to the clinical development of NGX426 were delayed from what was originally agreed. In exchange for the royalty rate reduction and change in milestone payment timing, we issued to Eli Lilly 200,000 shares of our common stock at fair market value.

On December 1, 2008, we announced that oral administration of NGX426 demonstrated a statistically significant reduction in spontaneous pain, hyperalgesia (abnormally increased pain state) and allodynia (pain resulting from normally non-painful stimuli to the skin) compared to placebo following intradermal injections of capsaicin in a human experimental model of cutaneous pain, hyperalgesia and allodynia. This was the completion of the clinical trial of NGX426 that was initiated in June 2008. On December 2, 2008, we announced positive results from our Phase II clinical trial evaluating three single doses of NGX267 as a treatment for xerostomia, or dry mouth, in patients with Sjögren s syndrome that was initiated in May 2008. NGX267 met the primary endpoint of a statistically significant increase in salivary flow production compared to placebo at all three doses: 10 mg, 15 mg, and 20 mg. These doses were safe and well tolerated with few reports of excessive sweating and gastrointestinal complaints.

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On December 2, 2008 we engaged JMP Securities LLC (JMP) to evaluate a potential equity financing for the Company. From December 2008 through March 2009, JMP contacted 55 potential investors. We did not receive a term sheet from the efforts of JMP and the Company.

Additionally, from December 2008 through March 2009, the Company, with assistance from P2 Partners LLC, contacted over 80 prospective strategic partners, both domestic and international. The list of prospects represented companies that were active in the pain, xerostomia or cognitive disorders markets or whom we believed could have an interest in one or more of those markets. This resulted in approximately 25 companies signing non-disclosure agreements and receiving non-public evaluation materials. We did not receive any expressions of interest as a result of these efforts.

In January, we implemented the first in a series of cost savings measures including reduction in office space with accompanying decrease in rent, scaled back use of third party consultants and implementation of a maintenance-only development plan for each of the three product candidates. This plan substantially reduced development expenditures by suspending all new clinical and preclinical projects and using internal resources to finalize all clinical and preclinical reports from recently completed studies.

On March 2, 2009, as a further cost saving measure, we reduced 50% of our remaining employees work schedules to 20 hours. At a March 19, 2009 meeting of our Board of Directors, management recommend and the Board of Directors approved the implementation of additional cost saving measures because the Company had not received any meaningful expressions of interest either from potential investors or potential strategic partners. The Board of Directors after reviewing the Company s financial condition approved additional cost saving measures that included the termination of our engagement with P2 Partners, a reduction of the Company s workforce to three employees (the Company s Chief Executive Officer, Chief Financial Officer, and Vice President and General Counsel) on March 31, 2009 and the repayment of the Company s outstanding debt to the Bank in April 2009. The remaining employees were tasked with assisting the Board of Directors in assessing and completing any possible strategic transaction. Additionally, the Board established a Strategic Transactions Committee consisting of two independent directors, Drs. Davis and Ferris to evaluate potential strategic options for the Company, including, but not limited to, a sale, financing or orderly liquidation and dissolution of the Company. Our Board of Directors also reviewed the timing and procedures associated with an orderly dissolution and liquidation of the Company and the amount of funding projected to be available to continue the partnering/licensing process in order to maximize returns to the stockholders.

At a meeting of our Board of Directors on April 14, 2009, the Board of Directors approved terminating the services of JMP Securities LLC and retaining the services of Merriman Curhan Ford (Merriman) as our financial advisor to assist in the evaluation of strategic options, including the possible sale of the Company or its assets. From April 15, 2009 through May 19, 2009 Merriman and the Company have contacted more than 85 prospective strategic partners, more than half of whom had previously been contacted by the Company or its previous advisors. These efforts resulted in 5 additional companies signing non-disclosure agreements and receiving non-public evaluation materials. As of May 19, 2009, we have not received any expressions of interest.

On May 19, 2009, our Board of Directors held a meeting for the purpose of considering the Plan of Dissolution and the other alternatives available to us and receiving information concerning our cash position and financial forecast. Also present at this meeting was a representative from Cooley Godward Kronish LLP, our outside legal counsel, who presented a summary of the terms of the proposed Plan of Dissolution and discussed our Board of Directors fiduciary duties. Management presented its analysis of the alternatives available to liquidation and its assessment that it would be unlikely that any assets would be available for distribution to the stockholders pursuant to the Plan of Dissolution. After lengthy discussions and consideration of the financial position and status of the partnering/licensing and strategic alternatives process, our Board of Directors adopted the Plan of Dissolution and approved our dissolution, subject to stockholder approval. Our Board of Directors concluded that the Plan of Dissolution and our liquidation and dissolution were advisable and in the best interests of the Company and its stockholders.

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In considering the Plan of Dissolution, our Board of Directors consulted with Cooley Godward Kronish LLP regarding the legal aspects of the Plan of Dissolution. Based on advice from Cooley Godward Kronish LLP, and the factors discussed below, the members of our Board of Directors (i) determined that the Plan of Dissolution is fair, advisable and in the best interests of the Company and its stockholders, and (ii) approved and adopted the Plan of Dissolution, subject to approval by our stockholders and recommended that our stockholders vote in favor of the Plan of Dissolution.

Reasons for the Plan of Dissolution

In the course of reaching the decision to approve the Plan of Dissolution, our Board of Directors considered a number of factors in its deliberations including:

- the fact that we have been unable to secure additional financing to support our ongoing operations and future clinical development of our compounds despite numerous efforts including the engagement of Rodman & Renshaw, LLC in 2008 and JMP Securities LLC in December 2008 to solicit interest in a financing;

- the continuing poor economic conditions resulting from the global economic crisis and the low probability that we will be able to secure additional financing on reasonable terms before running out of cash;

- the low probability that we would be presented with, or otherwise identify, within a reasonable period of time under current circumstances, any viable opportunities to engage in an attractive alternative business combination or other strategic transaction that would provide value to our stockholders;

- the fact that we engaged P2 Partners and Merriman Curhan Ford since April 2008 to identify a partner or purchaser of our assets or the Company and have been unable to secure an expression of interest despite contacting more than 100 companies;

- the substantial accounting, legal and other expenses associated with being a small publicly-traded company in light of our existing and expected history of losses and available cash;

- the terms and conditions of the Plan of Dissolution, including the provisions that permit our Board of Directors to revoke the plan if our Board of Directors determines that, in light of new proposals presented or changes in circumstances, dissolution and liquidation are no longer advisable and in our best interests and the best interests of our stockholders;

- the fact that Delaware corporate law requires that the Plan of Dissolution be approved by the affirmative vote of holders of a majority of the shares of our common stock entitled to vote, which ensures that our Board of Directors will not be taking actions of which a significant portion of our stockholders disapprove;

- the fact that approval of the Plan of Dissolution by the requisite vote of our stockholders authorizes our Board of Directors and officers to implement the Plan of Dissolution without further stockholder approval;

- the unlikely probability that we will be able to make any liquidating distributions to stockholders;

- the risks associated with the sale of our remaining non-cash assets as part of the Plan of Dissolution; and

the fact that, if the Plan of Dissolution is approved by our stockholders, stockholders would generally not be permitted to transfer shares of our common stock after the Effective Date as we would seek to suspend trading as soon thereafter as is practicable.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by our Board of Directors, but addresses the material information and factors considered. In view of the wide variety of factors considered in connection with its evaluation of the Plan of Dissolution and the complexity of these matters, our Board of Directors did not quantify

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or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In considering the factors described above, individual members of our Board of Directors may have given different weight to different factors. After taking into account all of the factors set forth above, as well as others, the members of our Board of Directors agreed that the benefits of the liquidation and dissolution outweigh the risks.

Interests of Certain Directors and Executive Officers in Approval of the Plan of Dissolution

Certain of our directors and executive officers may have interests in the liquidation and dissolution of TorreyPines Therapeutics, Inc. that are different from yours.

We have entered into indemnification arrangements with our directors and executive officers and employment and change of control agreements with our executive officers. Our executive officers are entitled to certain payments upon termination of employment for various reasons. In addition, each executive officer is entitled to enhanced severance benefits if his or her employment is terminated after or in connection with a change in control.

Employment Agreements

Pursuant to the employment agreements with Evelyn Graham, our Chief Executive Officer, Craig Johnson, our Vice President, Finance, and Chief Financial Officer and Paul Schneider, our Vice President and General Counsel (the Executive Officers), if their employment is terminated without cause (as defined in the agreements) or is terminated without cause (as defined in the change of control agreement) after a change of control or in the event of a voluntarily termination of their employment with the Company for good reason (as defined in the change of control agreement) after a change of control they are entitled to receive severance compensation in a lump-sum payment equal to one times their highest base salary in effect during their employment with the Company. In addition, pursuant to the Executive Officers current employment agreements, all of their unvested options to purchase Company securities shall automatically vest on the date of their termination of employment and their outstanding options shall remain exercisable for the shorter of 12 months following such termination and the original option term.

Summary of Benefits of Executive Officers

The liquidation and dissolution of the Company would be considered a change of control as defined in the Executive Officers employment agreements. As such, approval of the Plan of Dissolution and the termination of the Executive Officers in connection therewith would trigger payments under the employment agreements. Due to the financial status of the Company and the limited cash available, it is currently anticipated that the Company would only be able to provide a portion of the benefits payable under the Executive Officers employment agreements. Under the employment agreements, the following amounts would be due to the Executive Officers upon their termination as a result of the approval of the Plan of Dissolution:

Name and Principal Position	Severance Period	Total Severance Payments	Other Benefits
Evelyn Graham Chief Executive Officer	12 months	$507,500	Full acceleration of all outstanding options
Craig Johnson Vice President, Finance and Chief Financial Officer	12 months	$351,200	Full acceleration of all outstanding options
Paul Schneider Vice President and General Counsel	12 months	$272,125	Full acceleration of all outstanding options

If we receive cash upon the sale of our assets in an amount sufficient to pay the Executive Officers severance obligations in full, the Plan of Dissolution anticipates that we would pay the full amounts due the Executive Officers under their employment agreements.

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In addition, the Executive Officers hold an aggregate of options to purchase 1,678,075 shares of our common stock of which the lowest exercise price is $0.23 per share. As of May 26, 2009, the closing price of a share of our common stock on the Nasdaq Stock Market was $0.33. Unless and until any such options are exercised and payment of the applicable exercise price is made, the option holders are not entitled to any cash distributions with respect to their options under the Plan of Dissolution.

In addition to the above, the Executive Officers, certain members of our Board of Directors, including Dr. Deleage who resigned from our Board of Directors effective May 27, 2009, and Mr. Van Beneden who resigned from our Board of Directors effective May 29, 2009 and entities affiliated with certain members of our Board of Directors, including Alta Partners where Dr. Deleage is a managing director, and GIMV N.V. where Mr. Van Beneden is Executive Vice President Life Sciences own an aggregate of 5,916,946 shares of the Company s common stock. It is currently expected that distributions to stockholders would only occur upon the consummation of the sale of some or all of our assets. The amount of such distributions is not readily determinable as it is dependent upon the amount of consideration received for such assets. In the event of a distribution, Ms. Graham, Mr. Johnson and certain directors would be entitled to cash distributions based on their ownership of shares of the Company s common stock, which is detailed in the following table:

Name and Title	Number of Shares Owned[1]
Jean Deleage *Former Director*	2,229,706[2]
Patrick Van Beneden *Former Director*	2,215,883[3]
Jason Fisherman *Director*	1,320,317[4]
Steven Ratoff *Director*	81,208
Evelyn Graham *Chief Executive Officer*	32,480
Craig Johnson *Vice President, Finance and Chief Financial Officer*	32,480
Peter Davis *Director*	4,872

(1) This table is based upon information supplied by officers, directors and principal Stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 15,974,058 shares outstanding on February 28, 2009 adjusted as required by rules promulgated by the SEC.

(2) Includes 1,258,044 shares held of record by Alta California Partners II, L.P., 358,414 shares held of record by Alta California Partners II, L.P. New Pool, 15,893 shares held of record by Alta Embarcadero Partners II, LLC, 547,128 shares held of record by Alta BioPharma Partners III, L.P., 36,744 shares held of record by Alta BioPharma Partners III GmbH & Co. Beteiligungs KG, 13,483 shares held of record by Alta Embarcadero BioPharma Partners III, LLC. Alta Partners LP, as the parent of each of Alta BioPharma Partners III GmbH & Co. Beteiligungs, Alta BioPharma Partners III, L.P., Alta California Partners II, L.P., Alta California Partners II, L.P. New Pool, Alta Embarcadero BioPharma Partners III, LLC and Alta Embarcadero Partners II, LLC, may be deemed to beneficially own such shares. Dr. Deleage is a managing director of Alta Partners. Dr. Deleage, a former member of our Board, resigned effective May 27, 2009, and a former member of the board of directors of TPTX, Inc. disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address of Alta Partners LP is One Embarcadero Center, Suite 3700, San Francisco, CA 94111.

(3) Includes 1,544,403 shares held of record by GIMV N.V., 477,704 shares held of record by Biotech Fonds Vlaanderen, N.V., and 193,776 shares held of record by Adviesbeheer GIMV Life Sciences N.V. GIMV N.V., as the parent of each of Biotech Fonds

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Vlaanderen, N.V. and Adviesbeheer GIMV Life Sciences N.V., may be deemed to beneficially own such shares. Patrick Van Beneden is the Executive Vice President Life Sciences of GIMV, N.V. Mr. Van Beneden, a former member of our Board resigned effective May 29, 2009 and a former member of the board of directors of TPTX Inc., disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address of GIMV, N.V. is Karel Oomsstraat 37, B-2018, Antwerp, Belgium.

(4) Includes 1,197,723 shares held of record by Advent Health Care and Life Sciences II Limited Partnership; 93,350 shares held of record by Advent Health Care and Life Sciences II Beteiligung GmbH & Co. KG; 26,567 shares held of record by Advent HLS II Limited Partnership; 2,677 shares held of record by Advent Partners Limited Partnership and an option to purchase 10,000 shares held by Jason S. Fisherman, M.D. Advent International has engaged Advent Healthcare Ventures to advise it with respect to the operation of certain private equity funds, including the above listed funds. Dr. Fisherman is a managing director of Advent Healthcare Ventures. Dr. Fisherman, a member of our Board and a former member of the board of directors of TPTX, Inc. disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. Each fund disclaims beneficial ownership of the others shares. The address of Advent Healthcare Ventures is 75 State Street, Boston, MA 02109.

Following the filing of the Certificate of Dissolution with the Delaware Secretary of State, we will continue to indemnify each of our current and former directors and officers to the extent required under Delaware law and our Certificate of Incorporation and Bylaws as in effect immediately prior to the filing of the Certificate of Dissolution. In addition, we intend to maintain our current directors and officers insurance policy through the dissolution of the Company and to obtain runoff coverage for claims against our current officers and directors for up to an additional six years thereafter.

If the dissolution is approved, our Board of Directors may, at any time, turn our management over to a third party to complete the liquidation of our remaining assets and distribute the proceeds from the sale of assets to our stockholders pursuant to the Plan of Dissolution. This third-party management may be in the form of a liquidating trust, which, if adopted, would succeed to all of our assets, liabilities and obligations. Our Board of Directors may appoint one or more of its members or one or more of our officers to act as trustee or trustees of such liquidating trust. In the event a member of the Board of Directors or an officer is appointed to act as a trustee or trustees of the liquidating trust, we expect that the compensation paid to such individual or individuals for their trustee services would not be materially different from the compensation that would be paid to an outside third party, such as a bank, for similar services.

As a result of these benefits, our directors and executive officers generally could be more likely to vote to approve the Plan of Dissolution, including the liquidation and dissolution of the Company contemplated thereby, than our other stockholders.

Other than as set forth above, it is not currently anticipated that our liquidation and dissolution will result in any material benefit to any of our executive officers or to directors who participated in the vote to adopt the Plan of Dissolution.

Description of the Plan of Dissolution and Dissolution Process

Approval of the Plan of Dissolution

The Plan of Dissolution must be approved by the affirmative vote of a majority of the outstanding shares of our common stock. The approval of the Plan of Dissolution by the requisite vote of the holders of our common stock will constitute adoption of the Plan of Dissolution and a grant of full and complete authority for our Board of Directors and officers, without further stockholder action, to proceed with the dissolution and liquidation of the Company in accordance with any applicable provision of the Delaware law, including the authority to dispose of all of our remaining non-cash assets.

Our Activities Following the Adoption of the Plan of Dissolution

Following approval of the Plan of Dissolution by our stockholders, a Certificate of Dissolution will be filed with the Secretary of State of Delaware dissolving TorreyPines Therapeutics, Inc. Our dissolution will become effective, in accordance with the Delaware General Corporation Law, upon proper filing of the Certificate of Dissolution with the Secretary of State or upon such later date as

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may be specified in the Certificate of Dissolution. Pursuant to the Delaware General Corporation Law, we will continue to exist for three years after the dissolution becomes effective or for such longer period as the Delaware Court of Chancery shall direct, for the purpose of prosecuting and defending suits, whether civil, criminal or administrative, by or against us, and enabling us gradually to settle and close our business, to dispose of and convey our property, to discharge our liabilities and to distribute to our stockholders any remaining assets, but not for the purpose of continuing the business for which we were organized.

If the Plan of Dissolution is approved, we will endeavor to sell or otherwise dispose of, all of our property and assets. Based on our current projections of operating expenses and liquidation and dissolution costs, unless we are able to sell some or all of our assets for more than the total amount of our current obligations and liabilities, we expect that our stockholders will not receive any liquidating distributions. If we are able to distribute cash to our stockholders, we may distribute the balance of our available cash from time to time through one or more liquidating distributions. The liquidation is expected to commence as soon as practicable after approval of the Plan of Dissolution by our stockholders, and to be concluded prior to the third anniversary thereof, or such later date as required by Delaware law. Any sales of our assets will be made in private or public transactions and on such terms as are approved by the Board of Directors. It is not anticipated that any further votes of our stockholders will be solicited with respect to the approval of the specific terms of any particular sales of assets approved by the Board of Directors.

The Plan of Dissolution provides that the Board of Directors will liquidate our assets in accordance with any applicable provisions of the Delaware General Corporation Law, including Sections 280 and 281. Without limiting the flexibility of the Board of Directors, the Board of Directors may, at its option, instruct our officers to follow the procedures set forth in Sections 280 and 281 of the Delaware General Corporation Law which instruct such officers to:

- give notice of the dissolution to all persons having a claim against us and provide for the rejection of any such claims in accordance with Section 280 of the Delaware General Corporation Law;

- offer to any claimant whose claim is contractual and contingent, conditional or unmatured, security in an amount sufficient to provide compensation to the claimant if the claim matures, and, if any such claimant rejects such offer, the Company shall petition the Delaware Court of Chancery to determine the amount and form of security sufficient to provide compensation to such claimant in accordance with Section 280 of the Delaware General Corporation Law;

- petition the Delaware Court of Chancery to determine the amount and form of security which would be reasonably likely to be sufficient to provide compensation for claims that are the subject of any pending action, suit or proceeding to which we are a party, and claims that have not been made known to us at the time of dissolution, but are likely to arise or become known within five years of the date of the filing of the Certificate of Dissolution (or longer in the discretion of the Delaware Court of Chancery, but in any event not longer than 10 years after the date of the filing of the Certificate of Dissolution), each in accordance with Section 280 of the Delaware General Corporation Law;

- pay, or make adequate provision for payment of, all claims made against us and not rejected, including all expenses related to the sale of assets and the liquidation and dissolution provided for by the Plan of Dissolution in accordance with Sections 280 and 281 of the Delaware General Corporation Law; and

- post all security offered and not rejected and all security ordered by the Delaware Court of Chancery in accordance with Sections 280 and 281 of the Delaware General Corporation Law.

Under the Plan of Dissolution, the Board of Directors may modify, amend or abandon the plan, notwithstanding stockholder approval, to the extent permitted by the Delaware General Corporation Law. We will not amend or modify the Plan of Dissolution under circumstances that would require additional stockholder solicitations under the Delaware General Corporation Law or the Federal securities laws without complying with the Delaware General Corporation Law and the Federal securities laws.

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Sales of Our Assets

The Plan of Dissolution contemplates the sale of all of our remaining non-cash assets. The Plan of Dissolution does not specify the manner in which we may sell our assets. Such sales could take the form of individual sales of assets, sales of groups of assets organized by type of asset or otherwise, a single sale of all or substantially all of our assets, or some other form of sale. Sales of our assets will be made on such terms as are approved by the Board of Directors in its sole discretion. The assets may be sold to one or more purchasers in one or more transactions over a period of time.

It is not anticipated that any further stockholder votes will be solicited with respect to the approval of the specific terms of any particular sales of assets approved by the Board of Directors. We do not anticipate amending or supplementing this proxy statement to reflect any such agreement or sale, unless required by applicable law. The prices at which we will be able to sell our various assets depend largely on factors beyond our control, including, without limitation, the condition of financial markets, the availability of financing to prospective purchasers of the assets, United States and foreign regulatory approvals, public market perceptions, and limitations on transferability of certain assets. In addition, we may not obtain as high a price for a particular asset as we might secure if we were not in liquidation.

Liquidating Distributions; Nature; Amount; Timing

Although the Board of Directors has not established a firm timetable for liquidating distributions, if any, to stockholders if the Plan of Dissolution is ratified and approved by the stockholders, the Board of Directors intends, subject to contingencies inherent in winding up our business, to make any such liquidating distributions as promptly as practicable and periodically as we convert our remaining assets to cash. While we intend that any liquidating distributions to the stockholders will be in the form of cash, we cannot be certain since we have not completed a sale of our assets at this time.

The liquidation is expected to be concluded prior to the third anniversary of the filing of the Certificate of Dissolution with the Secretary of State of Delaware. A final liquidating distribution, if applicable, may be made either directly to our stockholders or to a liquidating trust upon conclusion of the liquidation. The proportionate interests of all of our stockholders shall be fixed on the basis of their respective stock holdings at the close of business on the final record date, and after such date, any liquidating distributions made by us shall be made solely to stockholders of record on the close of business on the final record date, except to reflect permitted transfers. The Board of Directors is currently unable to predict the precise nature, amount or timing of this liquidating distribution or any other liquidating distributions pursuant to the Plan of Dissolution. The actual nature, amount and timing of any liquidating distributions will be determined by the Board of Directors or a trustee designated by the board, in its sole discretion, and will depend in part upon our ability to convert our remaining assets into cash and pay and settle our significant remaining liabilities and obligations. See Risk Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution.

In lieu of satisfying all of our liabilities and obligations prior to making any liquidating distributions to our stockholders, we may instead reserve assets deemed by management and the Board of Directors to be adequate to provide for such liabilities and obligations. See Description of the Plan of Dissolution and Dissolution Process Contingent Liabilities; Contingency Reserve.

Uncertainties as to the precise value of our non-cash assets and the ultimate amount of our liabilities make it impracticable to predict the aggregate net value ultimately distributable to stockholders, if any. Claims, liabilities and expenses from operations, including operating costs, salaries, income taxes, payroll and local taxes, legal, accounting and consulting fees and miscellaneous office expenses, although currently declining, will continue to be incurred following stockholder approval of the Plan of Dissolution. An appeal was filed with the United States Court of Appeals for the Second Circuit by the class action plaintiffs in a lawsuit against us, and although we have purchased liability insurance, if any costs or expenses associated with the litigation exceed the insurance coverage, we may be forced to bear some or all of these costs and expenses directly. Certain professional fees, such as legal expenses and the fees of outside financial advisors have recently increased, however, as a result of the liquidation process. These expenses will reduce the amount of assets available for ultimate distribution to stockholders, and, while a precise estimate of those expenses cannot currently be made, management and the Board of Directors believe that available cash and amounts received on the sale of assets will be adequate to provide for our obligations, liabilities and expenses, but will not permit us to make cash distributions to stockholders. Distributions to stockholders will only be possible if the cash and amounts received on the sale of assets are adequate to provide for

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our obligations, liabilities and expenses and to make cash distributions to stockholders. If such available cash and amounts received on the sale of assets are not adequate to provide for our obligations, liabilities and expenses, distributions of cash and other assets to our stockholders will be reduced and could be eliminated. See Risk Factors to be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution.

We anticipate that, following the approval of the Plan of Dissolution, our principal activities would be winding down our operations. In that regard, we anticipate terminating the employment of our remaining employees within 30 days following the approval of the Plan of Dissolution. On or before June 30, 2009, we intend to vacate our facilities and, if necessary, rent limited office space on a short-term basis.

Final Record Date

The final record date will be the date upon which we file the Certificate of Dissolution with the Delaware Secretary of State. We intend to close our stock transfer books and discontinue recording transfers of shares of our common stock on the final record date, and thereafter certificates representing shares of our common stock will not be assignable or transferable on our books except by will, intestate succession or operation of law. After the final record date, we will not issue any new stock certificates, other than replacement certificates. It is anticipated that no further trading of our shares will occur on or after the final record date. See Description of the Plan of Dissolution and Dissolution Process Listing and Trading of the Common Stock and Interests in the Liquidating Trust or Trusts.

All liquidating distributions from us or a liquidating trust on or after the final record date, if any, will be made to stockholders according to their holdings of common stock as of the final record date. Subsequent to the final record date, we may at our election require stockholders to surrender certificates representing their shares of common stock in order to receive subsequent distributions. Stockholders should not forward their stock certificates before receiving instructions to do so. If surrender of stock certificates should be required, all distributions otherwise payable by us or the liquidating trust, if any, to stockholders who have not surrendered their stock certificates may be held in trust for such stockholders, without interest, until the surrender of their certificates (subject to escheat pursuant to the laws relating to unclaimed property). If a stockholder s certificate evidencing the common stock has been lost, stolen or destroyed, the stockholder may be required to furnish us with satisfactory evidence of the loss, theft or destruction thereof, together with a surety bond or other indemnity, as a condition to the receipt of any distribution.

Contingent Liabilities; Contingency Reserve

Under the Delaware General Corporation Law, we are required, in connection with our dissolution, to pay or provide for payment of all of our liabilities and obligations. Following the approval of the Plan of Dissolution by our stockholders, we will pay all expenses and fixed and other known liabilities, or set aside as a contingency reserve, cash and other assets which we believe to be adequate for payment thereof. We are currently unable to estimate with precision the amount of any contingency reserve that may be required, but any such amount (in addition to any cash contributed to a liquidating trust, if one is utilized) will be deducted before the determination of amounts available for distribution to stockholders.

The actual amount of the contingency reserve will be based upon estimates and opinions of management and the Board of Directors and derived from consultations with outside experts and a review of our estimated operating expenses and future estimated liabilities, including, without limitation, anticipated compensation payments, any payments related to resolution of the outstanding lawsuit, estimated legal, accounting and consulting fees, operating lease expenses, payroll and other taxes payable, miscellaneous office expenses, and expenses accrued in our financial statements. There can be no assurance that the contingency reserve will be sufficient. We have not made any specific provision for an increase in the amount of the contingency reserve. Subsequent to the establishment of the contingency reserve, we will distribute to our stockholders any portions of the contingency reserve that we deem no longer to be required. After the liabilities, expenses and obligations for which the contingency reserve is established have been satisfied in full, we will distribute to our stockholders any remaining portion of the contingency reserve. Based on our current projections of operating expenses and liquidation and dissolution costs, unless we are able to sell some or all of our assets for more than the total amount of our current obligations and liabilities, we expect that our stockholders will not receive any liquidating distributions.

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Under the Delaware General Corporation Law, in the event we fail to create an adequate contingency reserve for payment of our expenses and liabilities, or should such contingency reserve and the assets held by the liquidating trust or trusts be exceeded by the amount ultimately found payable in respect of expenses and liabilities, each stockholder could be held liable for the repayment to creditors out of the amounts theretofore received by such stockholder from us or from the liquidating trust or trusts of such stockholder s pro rata share of such excess.

If we were held by a court to have failed to make adequate provision for our expenses and liabilities or if the amount ultimately required to be paid in respect of such liabilities exceeded the amount available from the contingency reserve and the assets of the liquidating trust or trusts, a creditor of ours could seek an injunction against the making of liquidating distributions under the Plan of Dissolution on the grounds that the amounts to be distributed were needed to provide for the payment of our expenses and liabilities. Any such action could delay or substantially diminish the cash distributions to be made to stockholders and/or interest holders under the Plan of Dissolution.

Liquidating Trust

If deemed necessary, appropriate or desirable by the Board of Directors or a special committee of the Board of Directors for any reason, we may, from time to time, transfer any of our unsold assets to one or more liquidating trusts, or other structure we deem appropriate, established for the benefit of our stockholders, which property would thereafter be sold or distributed on terms approved by its trustee(s). Our Board of Directors or a special committee of the Board of Directors may determine to transfer assets to a liquidating trust in circumstances where the nature of an asset is not susceptible to distribution (for example, interests in intangibles) or where our Board of Directors or such special committee determines that it would not be in the best interests of us and our stockholders for such assets to be distributed directly to the stockholders at such time. If all of our assets (other than the contingency reserve) are not sold or distributed prior to the third anniversary of the effectiveness of the dissolution, we must transfer in final distribution such remaining assets to a liquidating trust. Our Board of Directors or a special committee of the Board of Directors may also elect in its discretion, as applicable, to transfer the contingency reserve, if any, to such a liquidating trust.

The purpose of a liquidating trust would be to distribute such property or to sell such property on terms satisfactory to the liquidating trustee(s), and distribute the proceeds of such sale after paying our liabilities, if any, assumed by the trust, to our stockholders, based on their proportionate ownership interest in the trust. Any liquidating trust acquiring all of our unsold assets will assume all of our liabilities and obligations and will be obligated to pay any of our expenses and liabilities that remain unsatisfied. If the contingency reserve transferred to the liquidating trust is exhausted, such expenses and liabilities will be satisfied out of the liquidating trust s other unsold assets.

The Plan of Dissolution authorizes a special committee of our Board of Directors to appoint one or more individuals, who may include persons who are also officers or directors of the Company, or entities to act as trustee or trustees of the liquidating trust or trusts and to cause us to enter into a liquidating trust agreement or agreements with such trustee or trustees on such terms and conditions as may be approved by our Board of Directors or such special committee. It is anticipated that such special committee will select such trustee or trustees on the basis of the experience of such individual or entity in administering and disposing of assets and discharging liabilities of the kind to be held by the liquidating trust or trusts and the ability of such individual or entity to serve the best interests of our stockholders.

The trust would be evidenced by a trust agreement between us and the trustees. Pursuant to the trust agreement, the trust property would be transferred to the trustees immediately prior to the distribution of interests in the trust to our stockholders, to be held in trust for the benefit of the stockholder beneficiaries subject to the terms of the trust agreement. It is anticipated that the interests would be evidenced only by the records of the trust, there would be no certificates or other tangible evidence of such interests and no holder of our common stock would be required to pay any cash or other consideration for the interests to be received in the distribution or to surrender or exchange shares of our common stock in order to receive the interests.

It is further anticipated that, pursuant to the trust agreements:

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a majority of the trustees would be required to be independent of our management;

approval of a majority of the trustees would be required to take any action; and

the trust would be irrevocable and would terminate after, the earliest of (a) the trust property having been fully distributed, or (b) a majority in interest of the beneficiaries of the trust, or a majority of the trustees, having approved of such termination, or (c) a specified number of years having elapsed after the creation of the trust.

Listing and Trading of the Common Stock and Interests in the Liquidating Trust or Trusts

If our stockholders approve the Plan of Dissolution, we intend to close our stock transfer books and delist our stock from the Nasdaq Stock Market on the final record date. We will cease recording stock transfers and issuing stock certificates (other than replacement certificates) at such time. Accordingly, it is expected that trading in the shares will cease on and after the final record date. It is possible that the trading of our common stock on the Nasdaq Stock Market will effectively terminate before then if we are unable to meet the Nasdaq Stock Market s requirements for continued listing. See Risk Factors to Be Considered by Stockholders in Deciding Whether to Approve the Plan of Dissolution.

After delisting and closing of our transfer books, our stockholders will not be able to transfer their shares. It is anticipated that the interests in a liquidating trust or trusts will not be transferable, although no determination has yet been made. Such determination will be made by our Board of Directors and management prior to the transfer of unsold assets to the liquidating trust and will be based on, among other things, our Board of Directors and management s estimate of the value of the assets being transferred to the liquidating trust or trusts, tax matters and the impact of compliance with applicable securities laws.

The costs of compliance with such requirements would reduce the amount which otherwise could be distributed to interest holders. Even if transferable, the interests are not expected to be listed on a national securities exchange or quoted through Nasdaq, and the extent of any trading market therein cannot be predicted. Moreover, the interests may not be accepted by commercial lenders as security for loans as readily as more conventional securities with established trading markets. As stockholders will be deemed to have received a liquidating distribution equal to their pro rata share of the value of the net assets distributed to an entity which is treated as a liquidating trust for tax purposes (see Material United States Federal Income Tax Consequences of Our Dissolution and Liquidation), the distribution of non-transferable interests could result in tax liability to the interest holders without their being readily able to realize the value of such interests to pay such taxes or otherwise.

Absence of Appraisal Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to appraisal rights for their shares of common stock in connection with the transactions contemplated by the Plan of Dissolution.

Reporting Requirements

Whether or not the Plan of Dissolution is ratified and approved, we have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act, even though compliance with such reporting requirements is economically burdensome. If the Plan of Dissolution is ratified and approved, in order to curtail expenses, we will, after filing our Certificate of Dissolution, seek relief from the SEC from the reporting requirements under the Exchange Act. We anticipate that, if such relief is granted, we would continue to file current reports on Form 8-K to disclose material events relating to our liquidation and dissolution along with any other reports that the SEC might require.

Treatment of Outstanding Options and Warrants

As of April 30, 2009, options to purchase an aggregate of 2,787,347 shares of the Company s common stock were outstanding under the Company s 1998 Stock Option Plan, 2000 Stock Option Plan 2000 Equity Incentive Plan and 2006 Equity Incentive Plan (the Stock Option Plans). If stockholders approve the Plan of Dissolution, all outstanding unvested options to purchase shares of the

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Company s common stock under the Stock Option Plans shall fully vest. In addition, the Compensation Committee of the Board of Directors may, at its discretion (i) cancel any outstanding stock option awards in exchange for a cash payment of an amount equal to the difference between the then fair market value of the award less the option or base price of the award; or (ii) after having given the award holder a chance to exercise any outstanding options, terminate any or all of the award holder s unexercised options. 1,796,384 of the options outstanding under the 2006 Plan are in-the-money, meaning the applicable exercise price of each outstanding option is currently less than the market price per share of the Company s common stock on the Nasdaq Capital Market ($0.33) per share as of May 26), 2009).

As of April 30, 2009, warrants to purchase an aggregate of 1,657,614 shares of the Company s common stock were outstanding, of which 12,992 are exercisable at $9.24 per share and expire on July 1, 2010, 6,246 are exercisable at $5.60 per share and expire on December 7, 2010, 59,544 are exercisable at $9.24 per share and expire on September 26, 2015, 1,500,000 are exercisable at $8.32 per share and expire on October 3, 2009 and 78,832 are exercisable at $1.37 per share and expire on June 11, 2013. If the stockholders approve the Plan of Dissolution, we are required to mail to holders of outstanding warrants to purchase our common stock a notice stating the date on which the liquidation is expected to become effective, and the date as of which it is expected that holders of common stock of record will be entitled to exchange their shares of common stock for securities or other property, if any, deliverable upon such liquidation.

Unless and until an option or warrant is exercised and payment of the applicable exercise price or strike price is made, option and warrant holders are not entitled to any cash distributions with respect to their options or warrants payable under the Plan of Dissolution.

Regulatory Approvals

No United States Federal or state regulatory requirements must be complied with or approvals obtained in connection with the liquidation.

Material United States Federal Income Tax Consequences of Our Dissolution and Liquidation

The following discussion is a general summary of the material United States Federal income tax consequences affecting our stockholders that are anticipated to result from the receipt of distributions pursuant to our dissolution and liquidation. This discussion does not purport to be a complete analysis of all the potential tax effects. Moreover, the discussion does not address the tax consequences that may be relevant to particular categories of our stockholders subject to special treatment under certain Federal income tax laws (such as dealers in securities, banks, insurance companies, tax-exempt organizations, regulated investment companies, foreign individuals and entities, and persons who acquired their TorreyPines Therapeutics, Inc. stock upon exercise of stock options or in other compensatory transactions). It also does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. The discussion is based upon the Internal Revenue Code of 1986, as amended, Treasury Regulations, Internal Revenue Service rulings, and judicial decisions now in effect, all of which are subject to change at any time; any such changes may be applied retroactively. Distributions pursuant to the Plan of Dissolution may occur at various times and in more than one tax year. No assurance can be given that the tax treatment described herein will remain unchanged at the time of such distributions. The following discussion has no binding effect on the Internal Revenue Service or the courts and assumes that we will liquidate in accordance with the Plan of Dissolution in all material respects.

No ruling has been requested from the Internal Revenue Service with respect to the anticipated tax consequences of the Plan of Dissolution, and we will not seek an opinion of counsel with respect to the anticipated tax consequences. If any of the anticipated tax consequences described herein prove to be incorrect, the result could be increased taxation at the corporate and/or stockholder level, thus reducing the benefit to us and our stockholders from the liquidation. Tax considerations applicable to particular stockholders may vary with and be contingent on the stockholder s individual circumstances.

Federal Income Taxation of TorreyPines Therapeutics, Inc. After the approval of the Plan of Dissolution and until the liquidation is completed, we will continue to be subject to Federal income taxation on our taxable income, if any, such as interest income, gain from the sale of our assets or income from operations. We will recognize gain or loss with respect to the sale of our assets in an amount equal to the fair market value of the consideration received for each asset over our adjusted tax basis in the asset sold. In

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addition, although we currently do not intend to make distributions of property other than cash, in the event of a distribution of property, we may recognize gain upon such distribution of property. We will be treated as if we had sold any such distributed property to the distributee-stockholder for its fair market value on the date of the distribution. Management believes that we have sufficient usable net operating losses to offset any income or gain recognized by us.

Federal Income Taxation of our Stockholders. Amounts received by stockholders pursuant to the Plan of Dissolution will be applied against and reduce a stockholder s tax basis in his, her or its shares of stock. Gain will be recognized as a result of a liquidating distribution to the extent that the aggregate value of the distribution and any prior liquidating distributions received by a stockholder with respect to a share exceeds his or her tax basis for that share. If we make more than one liquidating distribution, each liquidating distribution will be allocated proportionately to each share of stock owned by a stockholder. Any loss will generally be recognized only when the final distribution from us has been received and then only if the aggregate value of all liquidating distributions with respect to a share is less than the stockholder s tax basis for that share. Gain or loss recognized by a stockholder will be capital gain or loss provided the shares are held as capital assets, and will be long term capital gain or loss if the stock has been held for more than one year. If no distributions are made to the stockholders, each stockholder will generally recognize a capital loss equal to the stockholder s basis in his, her or its shares. Such loss will be recognized on the last day of the year in which the stock became worthless as if sold on that day.

Although we currently do not intend to make distributions of property other than cash, in the event of a distribution of property, the stockholder s tax basis in such property immediately after the distribution will be the fair market value of such property at the time of distribution.

After the close of our taxable year, we will provide stockholders and the Internal Revenue Service with a statement of the amount of cash distributed to our stockholders and our best estimate as to the value of any property distributed to them during that year. There is no assurance that the Internal Revenue Service will not challenge our valuation of any property. As a result of such a challenge, the amount of gain or loss recognized by stockholders might be changed. Distributions of property other than cash to stockholders could result in tax liability to any given stockholder exceeding the amount of cash received, requiring the stockholder to meet the tax obligations from other sources or by selling all or a portion of the assets received.

If a stockholder is required to satisfy any liability of ours not fully covered by our contingency reserve (see Description of the Plan of Dissolution and Dissolution Process Contingent Liabilities; Contingency Reserve), payments by stockholders in satisfaction of such liabilities would generally produce a capital loss, which, in the hands of individual stockholders, could not be carried back to prior years to offset capital gains realized from liquidating distributions in those years.

Liquidating Trusts. If we transfer assets to a liquidating trust or trusts, we intend to structure such trust or trusts so that stockholders will be treated for tax purposes as having received their pro rata share of the property transferred to the liquidating trust or trusts, reduced by the amount of known liabilities assumed by the liquidating trust or trusts or to which the property transferred is subject. Assets transferred to a liquidating trust will cause the stockholder to be treated in the same manner for Federal income tax purposes as if the stockholder had received a distribution directly from us. The liquidating trust or trusts themselves will not be subject to Federal income tax. After formation of the liquidating trust or trusts, the stockholders must take into account for Federal income tax purposes their allocable portion of any income, gain or loss recognized by the liquidating trust or trusts. As a result of the transfer of property to the liquidating trust or trusts and the ongoing operations of the liquidating trust or trusts, stockholders should be aware that they may be subject to tax, whether or not they have received any actual distributions from the liquidating trust or trusts with which to pay such tax.

The tax consequences of the Plan of Dissolution may vary depending upon the particular circumstances of the stockholder. We recommend that each stockholder consult its own tax advisor regarding the Federal income tax consequences of the Plan of Dissolution as well as the state, local and foreign tax consequences.

Effect of Liquidation

The methods used by the Board of Directors and management in estimating the values of our assets are inexact and may not approximate values actually realized. The Board of Directors assessment assumes that estimates of our liabilities and

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operating costs are accurate, but those estimates are subject to numerous uncertainties beyond our control and also do not reflect any contingent or unmature liabilities that may materialize or mature. For all these reasons, actual net proceeds distributed to stockholders in liquidation may be significantly less than the estimated amount discussed in this proxy statement. Moreover, no assurance can be given that any amounts to be received by our stockholders in liquidation will equal or exceed the price or prices at which our common stock has recently traded or may trade in the future.

Required Vote

The affirmative vote of the holders of a majority of the issued and outstanding common stock entitled to vote is required for approval of the Plan of Dissolution.

Recommendation of our Board of Directors

At a meeting held on May 19, 2009, each member of our Board of Directors: (i) determined that the liquidation and dissolution of the Company, and the other transactions contemplated thereby, are fair to, advisable and in the best interests of us and our stockholders, (ii) approved in all respects the Plan of Dissolution and the other transactions contemplated thereby, and (iii) recommended that our stockholders vote **FOR** the approval and adoption of the Plan of Dissolution.

PROPOSAL 2

APPROVAL OF ADJOURNMENT OF SPECIAL MEETING TO SOLICIT ADDITIONAL PROXIES

General

At the Special Meeting, we may ask our stockholders to vote on a proposal to adjourn the Special Meeting to another date, time or place, if deemed necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1. Any adjournment of the Special Meeting may be made without notice, other than by the announcement made at the Special Meeting, if the votes cast in favor of the adjournment proposal by the holders of shares of our common stock entitled to vote on the proposal exceed the votes cast against the proposal at the Special Meeting. However, if the adjournment is for more than 120 days from the date set for the original meeting, a new record date for the adjourned meeting shall be fixed and a new notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting. If we adjourn the Special Meeting to a later date, we will transact the same business and, unless we must fix a new record date, only the stockholders who were eligible to vote at the original meeting will be permitted to vote at the adjourned meeting.

Required Vote

The approval of any adjournment of the Special Meeting requires that the votes cast in favor of the proposal exceed the votes cast against the proposal at the Special Meeting. Abstentions from voting and broker non-votes will have no impact on the vote on Proposal 2.

Recommendation of our Board of Directors

Our Board of Directors recommends that our stockholders vote **FOR** the approval of Proposal 2.

IMPORTANT INFORMATION CONCERNING TORREYPINES THERAPEUTICS, INC.

Description of Business

For a description of our business, see the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the Form 10-K), which is attached as Appendix B to this proxy statement and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 (the Form 10-Q), which is attached as Appendix C to this proxy statement. The Form 10-K and Form 10-Q, which are attached to this proxy statement as appendices, do not include the exhibits originally filed with such reports.

Description of Property

For a description of our properties, see the Form 10-K and Form 10-Q, which are attached as Appendix B and Appendix C to this proxy statement.

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Legal Proceedings

For a description of our legal proceedings, see the Form 10-K and Form 10-Q, which are attached as Appendix B and Appendix C to this proxy statement.

Financial Statements

Our financial statements as of and for the years then ended December 31, 2008 and 2007 and the notes thereto are included in the Form 10-K, which is attached as Appendix B to this proxy statement.

Selected Financial Data

The following Statements of Operations and Balance Sheet Data for each of the years in the five-year period ended December 31, 2008 are derived from our audited financial statements. The financial data set forth below should be read in conjunction with the section of the Form 10-K, which is attached as Appendix B to this proxy statement, entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, and the financial statements and notes included elsewhere in the Form 10-K.

	For the three months ended March 31, 2009 (unaudited)	Years Ended December 31,				
		2008	2007	2006	2005	2004
		(In thousands, except share and per share data)				
Statement of Operations Data:						
Revenue		$ 6,071	$ 9,850	$ 9,850	$ 7,967	$ 3,551
Operating expenses:						
Research and development	855	18,949	27,977	22,353	17,317	11,379
General and administrative	1,268	5,801	5,643	3,971	2,588	2,399
Loss on impairment of purchased patents		3,074				
Purchased in-process research and development				8,328		
Total operating expenses	2,123	27,824	33,620	34,652	19,905	13,778
Loss from operations	(2,123)	(21,753)	(23,770)	(24,802)	(11,938)	(10,227)
Other income (expense), net	3	(1,032)	401	(575)	396	(129)
Net loss	(2,120)	(22,785)	(23,369)	(25,377)	(11,542)	(10,356)
Dividends and accretion to redemption value of redeemable convertible preferred stock					(4,434)	(2,593)
Net loss attributable to common stockholders	(2,120)	(22,785)	(23,369)	(25,377)	(15,976)	(12,949)
Basic and diluted net loss per share attributable to common stockholders	$ (0.13)	$ (1.45)	$ (1.49)	$ (8.18)	$ (30.69)	$ (25.99)
Shares used to compute basic and diluted net loss per share attributable to common stockholders	15,974,058	15,748,967	15,717,984	3,100,852	520,588	498,127

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	As of March 31, 2009 (unaudited)	2008	As of December 31, 2007	2006	2005	2004
			(In thousands)			
Selected Balance Sheet Data:						
Cash and cash equivalents	6,319	$ 10,864	$ 32,500	$ 55,383	$ 28,757	$ 27,629
Working capital	1,820	5,746	24,299	43,694	24,806	24,357
Total assets	6,709	11,130	38,652	63,435	31,104	29,888
Long-term debt, net of current portion		2,112	954	4,397	3,826	591
Redeemable convertible preferred stock					72,018	67,584
Accumulated deficit	(121,306)	(119,186)	(96,401)	(73,032)	(58,850)	(42,874)
Total stockholders equity (deficit)	1,831	3,713	26,460	44,569	(58,341)	(42,381)

Supplementary Financial Information

The following tables summarize our quarterly results of operations for each quarter in 2008, 2007 and 2006. These quarterly results are unaudited, but in the opinion of management have been prepared on the same basis as our audited financial information and include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of our results of operations.

	2008 Results (unaudited) (Dollars and shares in thousands, except per share amounts)			
	First quarter	Second quarter	Third quarter	Fourth quarter
Total revenue	$ 2,046	$ 1,212	$ 1,223	$ 1,590
Operating expenses	6,708	7,242	6,105	7,769
Net loss	$ (3,893)	$ (7,450)	$ (5,394)	$ (6,048)
Basic and diluted net loss per share*	$ (0.25)	$ (0.47)	$ (0.34)	$ (0.38)

	2007 Results (unaudited) (Dollars and shares in thousands, except per share amounts)			
	First quarter	Second quarter	Third quarter	Fourth quarter
Total revenue	$ 2,463	$ 2,463	$ 2,463	$ 2,461
Operating expenses	6,572	8,515	9,512	9,021
Net loss attributable to common stockholders	$ (3,281)	$ (5,158)	$ (6,774)	$ (8,156)
Basic and diluted net loss per share attributable to common stockholders*	$ (0.21)	$ (0.33)	$ (0.43)	$ (0.52)

	2006 Results (unaudited) (Dollars and shares in thousands, except per share amounts)			
	First quarter	Second quarter	Third quarter	Fourth quarter
Total revenue	$ 2,463	$ 2,463	$ 2,463	$ 2,461
Operating expenses	6,331	8,145	5,150	15,026
Net loss attributable to common stockholders	$ (4,948)	$ (6,880)	$ (3,945)	$ (9,604)
Basic and diluted net loss per share attributable to common stockholders*	$ (9.24)	$ (12.83)	$ (7.18)	$ (0.89)

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* The net loss per share in each quarter is computed using the weighted-average number of shares outstanding during the quarter. The net loss per share for the full year, however, is computed using the weighted-average number of shares outstanding during the year. Thus, the sum of the quarterly net loss per share amounts does not equal the full-year net loss per share.

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Management s Discussion and Analysis of Financial Condition and Results of Operations

Management s discussion and analysis of financial condition and results of operations is included in the Form 10-K, which is attached as Appendix B to this proxy statement, and the Form 10-Q, which is attached as Appendix C to this proxy statement.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on matters of accounting principles or practices or financial disclosures for the periods covered by the Form 10-K, which is attached as Appendix B to this proxy statement, and the Form 10-Q, which is attached as Appendix C to this proxy statement.

Market Price of our Common Stock

Our common stock currently trades on the Nasdaq Capital Market under the symbol TPTX. The following table sets forth the range of high and low sales prices of our common stock for the quarterly periods indicated, as reported by Nasdaq. Such quotations represent inter-dealer prices without retail mark up, mark down or commission and may not necessarily represent actual transactions.

	High	Low
Year Ended December 31, 2009:		
First Quarter	$ 0.35	$ 0.15
Second Quarter (through May 26)	0.45	0.16
Year Ended December 31, 2008:		
First Quarter	$ 2.59	$ 1.26
Second Quarter	1.71	1.07
Third Quarter	1.28	0.44
Fourth Quarter	0.55	0.16
Year Ended December 31, 2007:		
First Quarter	$ 8.75	$ 6.59
Second Quarter	7.52	6.10
Third Quarter	7.32	5.76
Fourth Quarter	6.15	2.26
Year Ended December 31, 2006:		
First Quarter	$ 10.00	$ 6.64
Second Quarter	11.60	6.40
Third Quarter	9.12	6.64
Fourth Quarter	9.00	6.15

On May 26, 2009, the closing price of a share of our common stock on the Nasdaq Capital Market was $0.33. You are encouraged to obtain current market quotations for our common stock in connection with voting your shares.

As of May 26, 2009, there were 331 registered holders of our common stock.

We have not paid any cash dividends on our common stock since our inception. In accordance with the Plan of Dissolution, it is anticipated that, if the Plan of Dissolution is approved by our stockholders, we will, to the extent permitted by law, make one or more liquidating distributions to our stockholders.

Related-Person Transactions Policy and Procedures

In 2006 we adopted a written Related-Person Transactions Policy that sets forth our policies and procedures regarding the identification, review, consideration and approval or ratification of related-persons transactions. There have been no revisions to the Related-Persons Transactions Policy following its adoption in 2006. For purposes of our policy only, a related-person transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company and any related person are participants involving an amount that exceeds $120,000. Transactions involving compensation for services provided to the Company as an employee, director, consultant or similar capacity by a related person are not covered by this policy. A related person is any executive officer, director, or more than 5% stockholder of the Company, including any of their immediate family members, and any entity owned or controlled by such persons.

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Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to the Audit Committee (or, where Audit Committee approval would be inappropriate, to another independent body of the Board) for consideration and approval or ratification. The presentation must include a description of, among other things, the material facts, the interests, direct and indirect, of the related persons, the benefits to the Company of the transaction and whether any alternative transactions were available. To identify related-person transactions in advance, the Company relies on information supplied by its executive officers and directors. In considering related-person transactions, the Committee takes into account the relevant available facts and circumstances including, but not limited to (a) the risks, costs and benefits to the Company, (b) the impact on a director s independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated, (c) the terms of the transaction, (d) the availability of other sources for comparable services or products and (e) the terms available to or from, as the case may be, unrelated third parties or to or from employees generally. In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. The policy requires that, in determining whether to approve, ratify or reject a related-person transaction, the Committee look at, in light of known circumstances, whether the transaction is in, or is not inconsistent with, the best interests of the Company and its stockholders, as the Committee determines in the good faith exercise of its discretion.

Certain Related-Person Transactions

The Company has entered into indemnity agreements with certain officers and directors which provide, among other things, that the Company will indemnify such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent of the Company, and otherwise to the fullest extent permitted under Delaware law and our Bylaws.

Security Ownership of Certain Beneficial Owners, Directors and Management

The following table sets forth certain information regarding the ownership of our common stock as of May 26, 2009 by: (i) all those known by us to be beneficial owners of more than five percent of our common stock; (ii) each director, including Dr. Deleage who resigned effective May 27, 2009 and Mr. Van Beneden who resigned effective May 29, 2009; (iii) each of the executive officers named in the Summary Compensation Table; and (iv) all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of common stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable on or before May 26, 2009, which is 60 days after May 26, 2009. These shares are deemed to be outstanding and beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

	Beneficial Ownership(1)	
Beneficial Owner	**Number of Shares**	**Percent of Total**
Entities affiliated with Alta Partners(2)	2,662,583	16.2%
Entities affiliated with GIMV N.V.(3)	2,628,603	16.0%
Entities affiliated with Advent International(4)	1,580,559	9.7%
Wellington Capital Management Co. LLP	1,137,937	7.1%
Peter Davis, Ph.D.(5)	26,496	*
Jean Deleage, Ph.D.(5)	2,662,583	16.2%
Steven H. Ferris, Ph.D.(5)	45,687	*
Jason S. Fisherman, M.D.(5)	1,580,559	9.7%
Steven B. Ratoff(5)	137,870	*
Patrick Van Beneden(5)	2,628,603	16.0%

Evelyn A. Graham(5)	505,089	3.1%
Craig A. Johnson(5)	436,339	2.7%
Paul R. Schneider(5)	330,159	2.0%
All executive officers and directors as a group (9 persons)(6)	8,353,385	45.3%

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* Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal Stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 15,999,058 shares outstanding on May 26, 2009 adjusted as required by rules promulgated by the SEC.

(2) Includes 1,258,044 shares held of record and a warrant to purchase 229,823 shares held by Alta California Partners II, L.P., 358,414 shares held of record and a warrant to purchase 67,557 shares held by Alta California Partners II, L.P. New Pool, 15,893 shares held of record and a warrant to purchase 2,903 shares held by Alta Embarcadero Partners II, LLC, 547,128 shares held of record and a warrant to purchase 103,127 shares held by Alta BioPharma Partners III, L.P., 36,744 shares held of record and a warrant to purchase 6,926 shares held by Alta BioPharma Partners III GmbH & Co. Beteiligungs KG, 13,483 shares held of record and a warrant to purchase 2,541 shares held by Alta Embarcadero BioPharma Partners III, LLC and an option to purchase 20,000 shares held by Jean Deleage, Ph.D. Alta Partners LP, as the parent of each of Alta BioPharma Partners III GmbH & Co. Beteiligungs, Alta BioPharma Partners III, L.P., Alta California Partners II, L.P., Alta California Partners II, L.P. New Pool, Alta Embarcadero BioPharma Partners III, LLC and Alta Embarcadero Partners II, LLC, may be deemed to beneficially own such shares. Dr. Deleage is a managing director of Alta Partners. Dr. Deleage, a former member of our Board, resigned effective May 27, 2009, and a former member of the board of directors of TPTX, Inc. disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address of Alta Partners LP is One Embarcadero Center, Suite 3700, San Francisco, CA 94111.

(3) Includes 1,544,403 shares held of record and a warrant to purchase 286,897 shares held by GIMV N.V., 477,704 shares held of record and a warrant to purchase 90,041 shares held by Biotech Fonds Vlaanderen, N.V., and 193,776 shares held of record and a warrant to purchase 35,782 shares held by Adviesbeheer GIMV Life Sciences N.V. GIMV N.V., as the parent of each of Biotech Fonds Vlaanderen, N.V. and Adviesbeheer GIMV Life Sciences N.V., may be deemed to beneficially own such shares. Patrick Van Beneden is the Executive Vice President Life Sciences of GIMV, N.V. Mr. Van Beneden, a former member of our Board, resigned effective May 29, 2009 and a former member of the board of directors of TPTX Inc., disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. The address of GIMV, N.V. is Karel Oomsstraat 37, B-2018, Antwerp, Belgium.

(4) Includes 1,197,723 shares held of record and a warrant to purchase 217,930 shares held by Advent Health Care and Life Sciences II Limited Partnership; 93,350 shares held of record and a warrant to purchase 16,984 shares held by Advent Health Care and Life Sciences II Beteiligung GmbH & Co. KG; 26,567 shares held of record and a warrant to purchase 4,835 shares held by Advent HLS II Limited Partnership; 2,677 shares held of record and a warrant to purchase 493 shares held by Advent Partners Limited Partnership and an option to purchase 20,000 shares held by Jason S. Fisherman, M.D. Advent International has engaged Advent Healthcare Ventures to advise it with respect to the operation of certain private equity funds, including the above listed funds. Dr. Fisherman is a managing director of Advent Healthcare Ventures. Dr. Fisherman, a member of our Board and a former member of the board of directors of TPTX, Inc. disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein. Each fund disclaims beneficial ownership of the others shares. The address of Advent Healthcare Ventures is 75 State Street, Boston, MA 02109.

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(5) Includes shares described in notes (1), (2), (3) and (4), as applicable, including shares issuable upon exercise of the warrants described in the notes above, which the applicable holder has the right to acquire within 60 days after the date of this table. Includes shares which certain executive officers and directors of the Company have the right to acquire within 60 days after the date of this table pursuant to outstanding options, as follows: Peter Davis, 21,624 shares; Steven H. Ferris, 45,687 shares; Steven B. Ratoff, 56,662 shares; Evelyn A. Graham, 472,609 shares; Craig A. Johnson, 403,859 shares; Paul R. Schneider, 330,159 shares; and all executive officers and directors as of May 26, 2009 as a group, 1,370,600 shares.

(6) Total includes executive officers and directors as of May 26, 2009

Stockholder Proposals

We do not intend to hold an annual meeting of stockholders if the Plan of Dissolution is approved and we file our Certificate of Dissolution. If we do, however, hold a 2009 annual meeting of the stockholders, stockholder proposals and nominations for election to our Board of Directors intended to be presented at that meeting would be required to be received by us, in writing (containing certain information specified in our bylaws about the stockholder and the proposed action), at our corporate headquarters, located at 11085 North Torrey Pines Road, Suite 300, La Jolla, CA 92037, no fewer than 90 days nor more than 120 days prior to the date of the 2009 annual meeting; provided, however, that if less than 100 days notice or prior public disclosure of the date of the 2009 annual meeting is given to the stockholders, then, in order for any stockholder proposal or nomination to be considered timely, such stockholder proposal or nomination must have been received by us by the close of business on the 10th day following the earlier of the day on which (i) notice of the date of the annual meeting was mailed or (i) public disclosure of the date was made. These requirements are separate from and in addition to the SEC requirements that a stockholder must meet in order to have a stockholder proposal or nomination included in our proxy statement.

Where You Can Find More Information

We are subject to the reporting requirements of the Exchange Act and we file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy the reports, proxy statements and other information that we file at the SEC s Public Reference Room at 100 F Street NE, Washington, D.C. 20549 at prescribed rates. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Our filings are also available free of charge at the SEC s website at *http://www.sec.gov*.

You should rely only on the information contained in this proxy statement. No one has been authorized to provide you with information that is different from what is contained in this proxy statement. The date of this proxy statement is , 2009. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date. The mailing of this proxy statement will not create any implication to the contrary.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are TorreyPines Therapeutics, Inc. stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker. Direct your written request to TorreyPines Therapeutics, Inc., Craig Johnson, Corporate Secretary,

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TorreyPines Therapeutics, Inc., 11085 North Torrey Pines Road, Suite 300, La Jolla, CA 92037. Stockholders who currently receive multiple copies of the proxy statement at their addresses and would like to request householding of their communications should contact their brokers.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Special Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Craig Johnson

Chief Financial Officer and Secretary

, 2009

A copy of our Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the quarter ended March 31, 2009 is available without charge upon written request to: Corporate Secretary, TorreyPines Therapeutics, Inc., 11085 North Torrey Pines Road, Suite 300, La Jolla, CA 92037.

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APPENDIX A

TORREYPINES THERAPEUTICS, INC.

PLAN OF LIQUIDATION AND DISSOLUTION

This Plan of Liquidation and Dissolution (the ***Plan***) is for the purpose of effecting an orderly liquidation and/or wind up (the ***Liquidation and Wind Up***) of **TorreyPines Therapeutics, Inc.**, a Delaware corporation (the ***Company***) including, without limitation and in the discretion of the Board of Directors of the Company (the ***Board***), through a dissolution under the laws of the State of Delaware (the ***Dissolution***), in accordance with Section 331 of the Internal Revenue Code of 1986, as amended (the ***Code***), as follows:

The Board has determined in its reasonable business judgment that it is advisable and in the best interests of the Company and its stockholders and creditors that the Company commence an orderly Liquidation and Wind Up as soon as practicable. The Board has delegated to the Strategic Transactions Committee of the Board (the ***Special Committee***)[1], to the maximum extent permitted by the Delaware General Corporate Law (the ***DGCL***), the power and authority to approve and implement such transaction(s) and/or action(s) in connection with this Plan as the Special Committee deems to be in the best interests of the Company and its stockholders and creditors. The Board has also appointed Craig Johnson and Paul Schneider, or any successor person as the Board may later designate, as managers (each a ***Manager*** and collectively, the ***Managers***) to oversee the sale of the Company s assets and the Company s Liquidation and Wind Up, subject to any further approvals by the Special Committee required under this Plan. The Managers shall be deemed Board appointed officers of the Company for the purposes of implementing this Plan.

1. Approval of this Plan By Stockholders. The Board has adopted this Plan and intends to call a special meeting (the ***Meeting***) of the holders of the Company s common stock to approve the implementation of this Plan, including without limitation the Dissolution of the Company pursuant to this Plan, as required by applicable law and the Company s current Certificate of Incorporation and Amended and Restated Bylaws (collectively, the ***Charter***). If stockholders holding a majority of the Company s common stock, par value $0.001 per share (the ***Common Stock***), vote in favor of the approval of this Plan at the Meeting, the Plan shall constitute the adopted Plan of the Company as of the date of the Meeting, or such later date on which the stockholders may approve the implementation of this Plan and the Dissolution of the Company pursuant to this Plan if the Meeting is adjourned to later date (the ***Adoption Date***). If, notwithstanding the approval of the implementation of the Plan and the Dissolution of the Company pursuant to this Plan by the stockholders of the Company, the Board determines that it would be in the best interests of the Company and its stockholders and creditors not to implement this Plan or initiate a Dissolution, then the implementation of this Plan and/or the Dissolution of the Company pursuant to this Plan may be abandoned, delayed until a future date to be determined by the Board, or abandoned and re-initiated at a future date to be determined by the Board.

2. Potential Assignment for Benefit of Creditors. Notwithstanding anything to the contrary herein, from and after the Adoption Date, to the extent allowable under applicable state law, if deemed necessary or desirable and subsequently approved by the Special Committee in its sole discretion, the Company may make an assignment for benefit of its creditors under applicable state law, and thereby liquidate and wind up its affairs through such an assignment for benefit of creditors proceeding (an ***ABC***) under applicable law. Approval of the Plan by the Company s stockholders will constitute the approval by the Company s stockholders of the option of accomplishing its Liquidation and Wind Up through an ABC and the terms of any agreement with the assignee of such ABC executed by the Managers (***ABC Agreement***), subject only to the approval of the Special Committee. If the Special Committee so determines and the Company liquidates and winds up its affairs through an ABC, all provisions of this Plan shall remain in full force and effect, except that in the event that any of the provisions of this Plan are inconsistent either with the applicable law governing the ABC (***Applicable ABC Law***) or the ABC Agreement, such Applicable ABC Law and/or ABC Agreement shall govern.

[1] The Board granted the Special Committee the powers and authorities required in this Plan at the same meeting in which the Board approved this Plan.

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3. Corporate Action Following Adoption of the Plan. From and after the Adoption Date, and subject to the discretionary right of the Board to abandon, delay, or abandon and later re-initiate implementation of this Plan and/or the Dissolution of the Company pursuant to this Plan, the Managers shall complete the following corporate actions:

(a) The Special Committee shall determine whether and when to (i) transfer the Company s remaining property and assets to a liquidating trust (established pursuant to Section 5 hereof), or (ii) collect, sell, exchange or otherwise dispose of its remaining property and assets in one or more transactions upon such terms and conditions as the Managers, in the Managers absolute discretion, deems expedient and in the best interests of the Company and its stockholders and creditors, provided, however, that Special Committee approval (not any further stockholder approval) shall be required as to (i) a settlement of any dispute where the amount in controversy is $100,000 or more, or (ii) the sale of any asset of the Company valued at $100,000 or more. It is understood that, to the extent that the Company has already commenced the sale and disposition of its assets, such sales and disposition are hereby ratified and approved. The Company s remaining assets and properties may be sold in bulk to one buyer or a small number of buyers or on a piecemeal basis to numerous buyers. The Company will not be required to obtain appraisals or other third party opinions as to the value of its properties and assets in connection with the liquidation. In connection with such collection, sale, exchange and other disposition, the Company shall use reasonable efforts to collect or make provision for the collection of all accounts receivable, debts and claims owing to the Company. Approval of this Plan by the stockholders of the Company shall constitute the approval of the stockholders of the sale, exchange, transfer or other disposition of all of the property of the Company in furtherance of the Liquidation and Wind Up, whether such sale, exchange, transfer or other disposition occurs in one transaction or a series of transactions, and shall constitute a ratification of all contracts for sale, exchange, transfer or other disposition which are conditioned on approval of this Plan.

(b) The Company shall distribute *pro rata* to its stockholders in accordance with the provisions in the Charter and the DGCL, available cash including the cash proceeds of any sale, exchange or disposition, except such cash, property or assets as are required for paying or making reasonable provision for the known liabilities and obligations of the Company. Any such distribution may occur all at once or in a series of distributions and shall be in cash or assets, in such amounts, and at such time or times, as the Managers or the Trustee(s) (as defined in Section 5), in their absolute discretion, may determine. If and to the extent deemed necessary, appropriate or desirable by the Managers or the Trustee(s), in their absolute discretion, the Company may establish and set aside a reasonable amount of cash and/or property (the ***Contingency Reserve***) to satisfy claims against and any unmatured or contingent liabilities and obligations of, the Company, including, without limitation, tax obligations, and all expenses of the sale of the Company s property and assets, of the collection and defense of the Company s property and assets, and the Liquidation and Wind Up provided for in this Plan.

(c) The Company shall file final federal and comparable state income tax reporting forms as required by applicable law.

4. Stock Matters, Redemption and Cancellations of Stock.

(a) Distributions to the stockholders of the Company pursuant to Section 3 hereof shall be in complete redemption and cancellation of all of the outstanding capital stock of the Company. As a condition to receipt of any distribution to the Company s stockholders, the Managers or the Trustee(s), in their absolute discretion, may require the stockholders to (i) surrender their certificates evidencing the stock to the Company or its agents for recording of such distributions thereon or (ii) furnish the Company with evidence satisfactory to the Managers or the Trustee(s) of the loss, theft or destruction of their certificates evidencing the stock, together with such surety bond or other security or indemnity as may be required by and satisfactory to the Managers or the Trustee(s).

(b) The Company will finally close its stock transfer books and discontinue recording transfers of stock on the earliest to occur of (i) the close of business on the record date fixed by the Managers for the final liquidating distribution or (ii) such other date on which the Managers or the Trustee(s), in accordance with applicable law, determines and closes such stock transfer books, and thereafter certificates representing stock will not be assignable or transferable on the books of the Company except by will, intestate succession, or operation of law.

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(c) If any distribution to a stockholder cannot be made, whether because the stockholder cannot be located, has not surrendered its certificates evidencing the stock as required hereunder or for any other reason, the distribution to which such stockholder is entitled shall be transferred, at such time as the final liquidating distribution is made by the Company, to the official of such state or other jurisdiction authorized by applicable law to receive the proceeds of such distribution. The proceeds of such distribution shall thereafter be held solely for the benefit of and for ultimate distribution to such stockholder as the sole equitable owner thereof and shall be treated as abandoned property and escheat to the applicable state or other jurisdiction in accordance with applicable law. In no event shall the proceeds of any such distribution revert to or become the property of the Company.

5. Liquidating Trust(s).

(a) If deemed necessary, appropriate or desirable by the Special Committee, in its absolute discretion, in furtherance of the Liquidation and Wind Up, as a final liquidating distribution or from time to time, the Company shall transfer to Craig Johnson and/or Paul Schneider (the ***Trustee(s)***), for the benefit of its stockholders and/or creditors, one or more liquidating trusts (the ***Trust(s)***), any assets of the Company which are (i) not reasonably susceptible to distribution to the stockholders, Including without limitation non-cash assets and assets held on behalf of the stockholders (a) who cannot be located or who do not tender their certificates evidencing Common Stock to the Company or its agent as herein above required or (b) to whom distributions may not be made based upon restrictions under contract or law, including, without limitation, restrictions of the federal securities laws and regulations promulgated thereunder, or (ii) held as the Contingency Reserve. The Special Committee is hereby authorized to appoint one or more individuals, corporations, partnerships or other persons, or any combination thereof, including, without limitation, any one or more officers directors, employees, agents or representatives of the Company, to act as the successor Trustee or successor Trustees for the benefit of the stockholders and to receive any assets of the Company. Any Trustee(s) appointed as provided in the preceding sentence shall succeed to all right, title and interest of the Company of any kind and character with respect to such transferred assets and, to the extent of the assets so transferred and solely in their capacity as Trustee(s), shall assume all of the liabilities and obligations of the Company, including, without limitation, any unsatisfied claims and unascertained contingent liabilities. Further, any conveyance of assets to the Trustee(s) shall be deemed to be a distribution of property and assets by the Company to the stockholders for the purposes of Section 3 of this Plan. Any such conveyance to the Trustee(s) shall be in trust for the creditors and stockholders of the Company. The Company, subject to this Section and as authorized by the Special Committee, in its absolute discretion, may enter into one or more liquidating trust agreements with the Trustee(s), on such terms and conditions as the Special Committee, in its absolute discretion, may deem necessary, appropriate or desirable. Approval of the Dissolution of the Company pursuant to this plan by the holders of a majority of the outstanding Common Stock shall constitute the approval of the stockholders of any such appointment, any such liquidating trust agreement, and any transfer of assets of the Company to the Trust(s), as their act and as a part hereof as if set forth fully herein.

6. Liquidating Distributions; Nature; Amount; Timing.

(a) Although the Board has not established a firm timetable for completion of the Company s Liquidation and Wind Up, the Company will, subject to exigencies inherent in winding up the Company s business, complete the Liquidation and Wind Up as promptly as practicable. The Company plans to satisfy all of its liabilities and obligations, or make adequate provision for doing so, prior to making any distribution to its stockholders pursuant to this Plan.

(b) The uncertainty of the value of the Company s assets and the ultimate amount of its liabilities and the expenses of liquidation make it impracticable to predict the aggregate net value, if any, ultimately distributable to stockholders.

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(c) No assurance can be given that available cash and amounts received on the sale of assets will be adequate to provide for the Company s obligations, liabilities, expenses and claims or to make any cash distributions to the stockholders. If such available cash and amounts received on the sale of assets are not adequate to provide for the Company s obligations, liabilities, expenses and claims, distributions of cash to the Company s stockholders will be reduced or eliminated.

7. Payment Of Franchise Taxes. Subject to the Board s right in its absolute discretion to abandon or delay implementation of this Plan and/or a Dissolution, after the Adoption Date and prior to the filing of a certificate of dissolution, if applicable as determined by the Managers or as otherwise required by this Plan, the Managers shall determine and cause to be paid all franchise taxes due to or assessable by the State of Delaware including for the entire month during which any dissolution becomes effective pursuant to Section 277 of the DGCL.

8. Dissolution. Subject to the Board s right in its absolute discretion to abandon or delay implementation of this Plan, following the Adoption Date and the payment of applicable franchise taxes, if (i) the Managers determine, in the Managers absolute discretion, that there are *not* sufficient proceeds to satisfy the Company s obligations, liabilities and expenses in full (including funding any Contingency Reserve), but that dissolution is nonetheless appropriate, or (ii) as a result of the liquidation and wind up of the Company, it is determined by the Managers, in the Managers absolute discretion, that there *are* sufficient proceeds to satisfy the Company s obligations, liabilities, and expenses in full (including funding any Contingency Reserve) and to make a distribution to stockholders, then the Managers are authorized and directed to file a Certificate of Dissolution pursuant to Section 275 and/or Section 284 of the DGCL, and to execute all other instruments and do all other things they deem advisable to wind up the affairs of the Company, pursuant to the DGCL. Adoption of this Plan by the Requisite Consent shall constitute approval by the Company s stockholders of any such filing of a Certificate of Dissolution as their act and as a part hereof as if set forth fully herein.

9. Notice to Claimants; Claims Procedure. Subject to the Board s right in its absolute discretion to abandon or delay implementation of this Plan, the Managers are authorized to and may give appropriate notice, as applicable, of the Liquidation and Wind Up and, to the extent applicable, the procedure and deadline for the presentment of claims against the Company pursuant to Section 280 of the DGCL, to implement such claims procedure, and to pay or make provision for the Company s known or determined liabilities, and distribute any remaining assets to stockholders, pursuant to this Plan and Section 281 of the DGCL.

10. Limited Continuation of Company. Subject to the Board s right in its absolute discretion to abandon or delay implementation of this Plan, following completion of the Liquidation and Wind Up, and/or, to the extent applicable, the filing of a certificate of dissolution, the Company shall not engage in any further business activities except for the period set forth in and purposes allowed by Section 278 of the DGCL, including without limitation the purpose of implementing the above claims procedure, prosecuting or defending suits and engaging in such activities as are necessary to enable the Company to gradually settle and close its business, liquidate, dispose of and convey its property, discharge its liabilities and distribute any remaining assets to its stockholders. The Board and the officers of the Company then in office shall continue in office solely for these purposes and shall cease to be members of the Board and/or officers of the Company upon the earlier of the completion of these activities, the date of their respective resignations, or the expiration of the continuation period set forth in Section 278 of the DGCL.

11. Continuing Employees and Consultants. For the purpose of effecting the Liquidation and Wind Up, the Managers and/or the Trustee(s), as applicable, may hire or retain, in their sole discretion, such employees, consultants and other advisors as they may deem necessary, appropriate or desirable to accomplish such Liquidation and Wind Up in accordance with this Plan and the DGCL, until all affairs of the Company are settled and closed.

12. Expenses of Liquidation. The Managers and/or the Trustee(s), as applicable, shall provide, from the assets of the Company, funds for payment of the reasonable expenses of the Liquidation and Wind Up, including filing fees and other costs required in connection with implementation of this Plan, any brokerage, agency, professional and other fees and expenses of persons

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rendering services to the Company in connection with the collection, sale, exchange or other disposition of the Company s property and assets, continuation of employees and/or consultants engaged in the Liquidation and Wind Up, accountants and attorneys fees and expenses, and other reasonable fees and expenses incurred in connection with the Liquidation and Wind Up.

13. Provision for Continued Indemnification of Board and Officers. The Company may reserve sufficient assets and/or obtain and maintain such insurance as shall be necessary to provide for continued indemnification of the members of the Board, officers (including without limitation the Managers), the Trustee(s) and agents of the Company, and other parties whom the Company has agreed to indemnify, to the full extent provided by the Charter and bylaws of the Company, any existing indemnification agreements between the Company and any of such persons, and applicable law. The Managers or the Trustee(s), in their absolute discretion, are authorized to obtain and maintain such policies of director and officer and trustee and officer liability insurance as the Managers or the Trustee(s) may determine are necessary or appropriate.

14. Further Actions. The Managers are hereby authorized, without further action by the Company s stockholders, subject only to any further approvals by the Special Committee required hereunder, to do and perform, any and all acts, and to make, execute, deliver or adopt any and all agreements, resolutions, assignments, certificates and other documents of every kind which are deemed necessary, appropriate or desirable, in the absolute discretion of the Managers, to implement this Plan and the transactions contemplated hereby, including, without limitation, all filings or acts required by any state or federal law or regulation to wind up the Company s affairs.

15. Modification or Abandonment of Plan. Notwithstanding approval of or consent to this Plan and any actions or transactions contemplated hereby by the Company s stockholders, the Board may modify, amend, or abandon this Plan and any actions or transactions contemplated hereby without further action by the stockholders to the extent permitted by the DGCL.

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APPENDIX B

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

Or

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

For the transition period from to

Commission File Number: 000-25571

TorreyPines Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**86-0883978**
State or other jurisdiction of incorporation or organization	**(I.R.S. Employer Identification No.)**
11085 North Torrey Pines Road, Suite 300	**92037**

La Jolla, California
(Address of principal executive offices) **(Zip Code)**
Registrant s telephone number, including area code: (858) 623-5665

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.001 par value

(Title of class)

The Nasdaq Stock Market LLC

(Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the Common Stock of the registrant (the Common Stock) held by non-affiliates of the registrant, based on the last sale price of the Common Stock on June 30, 2008 (the last business day of the registrant s most recently completed second fiscal quarter) of $1.24 per share as reported by the Nasdaq Global Market, was approximately $12,087,000. Shares of Common Stock held by each officer and director and by each person who is known by the registrant to own 5% or more of the outstanding Common Stock, if any, have been excluded in that such persons may be deemed to be affiliates of the registrant. Share ownership information of certain persons known by the registrant to own greater than 5% of the outstanding common stock for purposes of the preceding calculation is based solely on information on Schedules 13D and 13G, if any, filed with the Securities and Exchange Commission and is as of June 30, 2008. This determination of affiliate status is not necessarily a conclusive determination for any other purposes.

As of March 18, 2009 there were 15,974,058 shares of our Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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TORREYPINES THERAPEUTICS, INC.

FORM 10-K

For the Year Ended December 31, 2008

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve a high degree of risk and uncertainty. Such statements include, but are not limited to, statements containing the words believes, anticipates, expects, estimates and words of similar import. Our actual results could differ materially from any forward-looking statements, which reflect management s opinions only as of the date of this report, as a result of risks and uncertainties that exist in our operations, development efforts and business environment. Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. You should carefully review the risks described in Risk Factors and elsewhere in this Annual Report on Form 10-K and the risk factors described in other documents that we file from time to time with the Securities and Exchange Commission, or SEC, including our Quarterly Reports on Form 10-Q.

TorreyPines Therapeutics and design, our tree logo and Posiphen are our trademarks or registered trademarks in the United States and certain other countries. We may also refer to trademarks of other corporations and organizations in this document.

Item 1. Business.

Overview

All references to TorreyPines, we, us, our or the Company mean TorreyPines Therapeutics, Inc. and its subsidiaries, except where it is made clear that the term means only the parent company.

We are a biopharmaceutical company committed to providing patients with better alternatives to existing therapies through the development and commercialization of small molecule compounds. Our goal is to develop versatile product candidates each capable of treating a number of acute and chronic diseases and disorders such as migraine, acute and chronic pain, and xerostomia. Due to the Company s current financial condition as described further in this report, we have been and are continuing to explore financing and strategic alternatives, including a possible project financing, equity financing, or a partnership in order to continue the development of our three product candidates, two ionotropic glutamate receptor antagonists and one muscarinic receptor agonists. Additionally, we have been and are continuing to explore other strategic alternatives, including a possible asset out-licensing, asset sale or sale of the Company. If we are unable to complete a financing or strategic transaction during the first half of 2009, we will be unable to continue as a going concern and may be forced to cease operations, seek protection under the provisions of the U.S. Bankruptcy Code or liquidate and dissolve the Company.

Our two ionotropic glutamate receptor antagonists, tezampanel and NGX426, are clinical stage product candidates. Tezampanel and NGX426 competitively block the binding of glutamate at the glutamate receptors, specifically the AMPA and kainate receptor subtypes. While normal glutamate levels are essential, excess glutamate has been implicated in a number of diseases and disorders. Tezampanel and NGX426 are the first glutamate receptor antagonists with this combined binding activity to be tested in humans. In October 2007 we released the results of a Phase IIb clinical trial of tezampanel, our most advanced product candidate. In this clinical trial, a single dose of tezampanel given by injection was statistically significant compared to placebo in treating acute migraine headache. This was the sixth Phase II trial in which tezampanel has been shown to have analgesic activity. We held a successful end of Phase II meeting with the U.S. Food and Drug Administration (FDA) on September 29, 2008. Based on a review of the Phase II data, the FDA agreed that we may initiate a Phase III program for tezampanel in acute migraine. The FDA also confirmed that the required thorough QT/QTc study for tezampanel can be conducted in parallel with the first Phase III pivotal trial. In order to pursue further clinical development of tezampanel, including the initiation of a Phase III trial, we will need to secure project financing, equity financing, or a development partner.

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NGX426 is an oral prodrug of tezampanel. In clinical trials, NGX426 has been shown to rapidly convert to tezampanel. During 2008 we completed a Phase I clinical trial that was designed to identify the maximum tolerated single dose of NGX426 when given to healthy adults. Subjects were dosed up to 210 mg, the maximum dose allowable under the protocol. All doses were safe and well tolerated therefore the maximum tolerated dose was not reached. In December 2008 we announced that oral administration of a single dose of NGX426 to healthy male adults demonstrated a statistically significant reduction in spontaneous pain, hyperalgesia (abnormally increased pain state) and allodynia (pain resulting from normally non-painful stimuli to the skin) compared to placebo following injection under the skin of capsaicin in an experimental model of induced pain, hyperalgesia and allodynia. In February 2009 we announced that oral administration of NGX426 was safe and well-tolerated in healthy male and female subjects when dosed once daily for five consecutive days. In order to pursue further clinical development of NGX426 we will need to secure project financing, equity financing, or a development partner.

NGX267 is a muscarinic receptor agonist. We have completed three Phase I clinical trials evaluating single and multiple doses of NGX267 given to healthy adults. In December 2008, we announced positive results from a 26 patient Phase II trial evaluating three doses of NGX267 as a potential treatment for xerostomia, or dry mouth, in patients with Sjögren s syndrome. NGX267 met the primary endpoint of a statistically significant increase in salivary flow production compared to placebo at all three doses: 10 mg, 15 mg, and 20 mg. These doses were safe and well tolerated. In order to pursue further clinical development of NGX267 we will need to secure project financing, equity financing, or a development partner.

We also have one drug discovery program, a gamma-secretase modulator program. We are currently attempting to sell this program.

In addition to our efforts to sell our GSM program, in 2009 we will continue to explore project financing, equity financing, partnership opportunities, asset out-licensing, or an asset sale for tezampanel, NGX426 and NGX267 to enable us to pursue the commercial opportunities we have identified for these product candidates. In addition we will continue to explore opportunities to sell the Company as a whole. However, if we are unable to complete a financing or strategic transaction during the first half of 2009, we will be unable to continue as a going concern and may be forced to cease operations, seek protection under the provisions of the U.S. Bankruptcy Code or liquidate and dissolve the Company.

Our Clinical Development Opportunities

In 2009, the goal of our clinical development plan is to evaluate the analgesic effect of NGX426 in well-accepted models of pain as well as to further evaluate NGX267 as a potential treatment for xerostomia. We do not have plans in 2009 to commence any clinical trials of tezampanel. Our ability to advance either NGX426 or NGX267 in clinical development is contingent upon our ability to continue as a going concern which will require that we secure additional funding through financing or strategic alternatives, including a possible project financing, equity financing, partnership, asset out-licensing, or an asset sale. We currently have worldwide commercial rights to all of our clinical stage product candidates.

Tezampanel and NGX426 Ionotropic Glutamate Receptor Antagonists, AMPA and Kainate Subtype

We in-licensed tezampanel and NGX426 from Eli Lilly & Company, or Eli Lilly, in 2003. Based on their mechanism of action as well as preclinical and clinical data, we believe these first-in-class product candidates have the potential to be effective across numerous indications in a wide range of therapeutic areas.

Mechanism of Action

Tezampanel and NGX426 are ionotropic glutamate receptor antagonists. These product candidates act as competitive antagonists of the AMPA and kainate subtype of ionotropic glutamate receptors. Glutamate receptors mediate the functioning of glutamate, an important excitatory neurotransmitter. While normal glutamate levels

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are essential, excess glutamate levels, either through injury or disease, can have a range of pathological effects. By acting at both the AMPA and kainate receptor site to competitively block the binding of glutamate, both tezampanel and NGX426 have the potential to treat a number of diseases and disorders. These include the acute pain associated with migraine, chronic pain, such as neuropathic pain, and a condition known as central sensitization, a persistent state of hypersensitivity to pain that is a core component of many pain conditions.

Migraine

Migraine is a chronic, intermittent pain condition characterized by acute pain episodes often accompanied by central sensitization. The 2005 American Migraine Prevalence and Prevention study, sponsored by the National Headache Foundation, estimated that there are approximately 30 million people who suffer from migraines in the United States, with fewer than half that number seeking treatment. This study also confirmed that a large number of migraine sufferers are not getting adequate treatment or the relief they need, despite the number of products available to treat migraines. It has been more than a decade since the FDA has approved a migraine treatment with a new mechanism of action.

The medications most commonly used to treat acute migraine are triptans and ergotamines. These drugs constrict or narrow the blood vessels in the brain, heart and periphery. When the blood vessels in the brain are constricted, the blood flow is decreased thus relieving the throbbing pain associated with migraine.

An emerging theory is that the brain itself, not just the blood vessels, may cause or contribute to the migraine. Published data show that during a migraine, increased levels of glutamate activate AMPA and kainate receptors, resulting in the transmission of pain and, in many patients, the development of central sensitization. Tezampanel has been shown in preclinical studies to block the binding of glutamate to these receptors. In doing so, tezampanel relieves the migraine pain and may prevent or lessen the development of central sensitization without directly constricting the blood vessels. As a result, tezampanel may offer a significant safety advantage over drugs such as the triptans and ergotamines for patients with cardiovascular risk factors.

Migraine is often accompanied by central sensitization, which is characterized by allodynia and hyperalgesia. Allodynia is a painful response to a normally non-painful stimulus such as touch, sound, temperature, or light. Hyperalgesia is an exaggerated sensitivity to a normally painful stimulus. In contrast, preclinical data show that tezampanel s analgesic activity is especially pronounced in the presence of central sensitization. Because of its positive effects in treating central sensitization, tezampanel may have an important role to play not only in treating the acute migraine pain, but also in preventing migraines by addressing the underlying cause.

Neuropathic Pain

Neuropathic pain is a complex, chronic pain condition in which the peripheral or central nervous system itself is damaged, dysfunctional or injured. The malfunctioning nerves become the cause of the pain, sending incorrect signals to pain centers. Because it is often difficult to recognize and determine the cause of the neuropathic pain, it is often under-treated. Some common causes of neuropathic pain include spinal or back injury or surgery, diabetes, HIV infection and herpes. A hallmark of neuropathic pain is central sensitization. The signs and symptoms of central sensitization in patients with neuropathic pain are similar to those in patients with migraine, namely allodynia and hyperalgesia. In a Phase II trial, tezampanel, given intravenously, was shown to relieve neuropathic pain and reduce the signs and symptoms of central sensitization.

Clinical Development Overview Tezampanel

Using intravenous administration of tezampanel, proof of concept clinical testing has been successfully completed in migraine, low back pain, neuropathic pain via a capsaicin model, post-operative dental pain and pain from spinal cord trauma. In order to evaluate tezampanel given by injection, we completed a Phase I clinical trial and determined that a single dose of tezampanel given by injection was well tolerated at all doses up to and

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including 100 mg. To date tezampanel has been shown to be safe and well-tolerated in three Phase I and six Phase II clinical trials involving more than 450 patients and healthy adults.

In October 2007 we released results of a Phase IIb clinical trial of tezampanel, given by injection, in patients who suffered a single acute migraine attack. This clinical trial demonstrated that the 40 mg dose of tezampanel was statistically significant compared to placebo in improvement of headache pain response, the primary endpoint, at two hours post-dose. There were no serious or medically important adverse events reported.

In February 2008 we released results of a multiple dose clinical trial of tezampanel, given by injection. The Phase I double-blind, placebo-controlled trial enrolled 30 normal healthy male and female adults. The data from this trial show that tezampanel given by injection once-daily for four consecutive days at doses of 40 mg, 70 mg and 100 mg was safe and well-tolerated. There were no discontinuations from the study and reported adverse events were generally mild and transient. These Phase I results support our continued development of tezampanel across a variety of chronic conditions.

In September 2008 we held a successful end of Phase II meeting with the FDA regarding the scope of a Phase III program for tezampanel in acute migraine. While the FDA agreed with our planned Phase III program for tezampanel in acute migraine, given financial constraints we will need to secure additional funding in order to pursue the Phase III clinical development of tezampanel for the potential treatment of acute migraine.

Clinical Development Overview NGX426

The results of our first Phase I single dose clinical trial of NGX426, given orally, demonstrated that NGX426 was well-tolerated and rapidly converted to tezampanel at 10 mg, 20 mg, and 30 mg. During 2008 we completed a Phase I clinical trial that was designed to identify the maximum tolerated single dose of NGX426 when given to healthy adults. Subjects were dosed up to 210 mg, the maximum dose allowable under the protocol. All doses were safe and well tolerated therefore the maximum tolerated dose was not reached. In December 2008 we announced that oral administration of a single dose of NGX426 to healthy male adults demonstrated a statistically significant reduction in spontaneous pain, hyperalgesia (abnormally increased pain state) and allodynia (pain resulting from normally non-painful stimuli to the skin) compared to placebo following injections under the skin of capsaicin in a human experimental model of induced pain, hyperalgesia and allodynia. Using a three-period cross-over design, subjects received two intradermal injections of capsaicin at 30 minutes and 120 minutes after administration of a single, oral dose of 90 mg or 150 mg of NGX426, or placebo. In February 2009 we announced that oral administration of NGX426 was safe and well-tolerated in healthy male and female subjects when dosed once daily for five consecutive days. We will need to secure additional funding in order to pursue the Phase II clinical development of NGX426.

NGX267 and NGX292 Muscarinic Receptor Agonists

We in-licensed NGX267 and NGX292 from Life Science Research Israel, or LSRI, in 2004. NGX267 is a clinical stage product candidate for the treatment of xerostomia secondary to Sjogren s syndrome. NGX292 is a structurally similar backup compound to NGX267.

Mechanism of Action

NGX267 is a partial muscarinic receptor agonist with functionally specific M1 and M3 receptor activity, with greater activity on the M1 receptors than the M3 receptors. When muscarinic agonists stimulate the M1 and M3 receptors, they produce cholinergically-mediated side effects such as salivation, sweating, and tearing. The cholinergic system mediates both salivary flow and the sweating response, but there are some differences in the muscarinic subtypes involved. Salivary flow involves both M1 and M3 receptors, but the sweating response is primarily mediated by the M3 receptors.

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Xerostomia

Xerostomia, or dry mouth, may be caused by an underlying disease such as Sjogren s syndrome or may also result from medical treatments such as radiation therapy to the head or neck. In two Phase I trials and a Phase II trial, NGX267 has been shown to stimulate the M1 and M3 receptors and, depending on dose, produce salivation, sweating and tearing. We believe that we have identified a therapeutic dose range for NGX267 that will alleviate complaints of dry mouth without producing unpleasant or intolerable side effects such as excessive sweating. There are currently only two prescription medications for the treatment of xerostomia. Both of these medications have side effects and may not be suitable for all sufferers of dry mouth.

Clinical Development Status

We have completed three Phase I clinical trials and one Phase II trial of NGX267. In the first Phase I trial, we identified the maximum tolerated single dose of NGX267 as 35 mg in healthy young adult males. All doses up to and including 35 mg were well tolerated by the subjects and there were no reports of clinically significant adverse events. In the second Phase I trial, we confirmed the safety and tolerability of a single dose of NGX267 up to 15 mg in a healthy elderly population. In addition, at 15 mg, statistically significant increases in salivary flow were demonstrated for NGX267 in comparison to placebo in the study.

We have also completed a multiple dose Phase I clinical trial of NGX267 in healthy adult males. Subjects received either a 10 mg, 20 mg, 30 mg or 35 mg dose of NGX267 once-daily for each of four consecutive days. NGX267 was safe and well tolerated in the trial with no clinically significant adverse events. In the study, statistically significant increases in peak and total salivary flow were demonstrated for NGX267 in comparison to placebo and these effects were maintained over four days of dosing.

In December 2008 we announced positive results from a 26 patient Phase II trial evaluating three doses of NGX267 as a treatment for xerostomia, or dry mouth, in patients with Sjögren s syndrome. NGX267 met the primary endpoint of a statistically significant increase in salivary flow production compared to placebo at all three doses: 10 mg, 15 mg, and 20 mg. These doses were safe and well tolerated with few reports of excessive sweating and gastrointestinal complaints. The clinical trial was a randomized, double-blind, placebo-controlled design and enrolled 26 patients. Using a cross-over design, each patient received a once-daily oral dose of placebo, 10 mg, 15 mg or 20 mg of NGX267 in four distinct treatment periods. We will need to secure additional funding in order to pursue the Phase II clinical development of NGX267 for the potential treatment of xerostomia.

Our Gamma-secretase Modulator Drug Discovery Program

We have identified two distinct series of compounds that modulate the gamma-secretase enzyme and may have potential as a treatment for Alzheimer s disease. These gamma-secretase modulator, or GSM, compounds reduce the brain levels of $A\beta_{42}$, a toxic peptide, or protein, found in the brain of Alzheimer s disease patients, while maintaining the overall balance of Aß in the brain. They do this by influencing the enzyme to make shorter, less toxic Aß peptides at the expense of the longer, toxic $A\beta_{42}$ peptide. Because GSM compounds allow the gamma-secretase enzyme to perform its normal functions on other substrates, it is believed they will likely not have some of the side effects associated with the first generation compounds that fully inhibited enzyme function. We are currently attempting to sell this program.

Strategic Alliance, License and Other Commercial Agreements

Drug development is long and costly and we recognize that we will need strategic partners to maximize the potential of one or more of our product candidates. Our goal is to strike a balance between advancing product development at our expense and partnering with third parties at key points along the development path. Overall, our strategy is to reach key milestones with our product candidates before entering into strategic alliances. We

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believe that, in this way, we can retain significant commercial value in the product candidates while obtaining strategic and financial assistance to advance our programs. We speak to prospective partners on a regular basis, understanding that beneficial strategic alliances are the result of developing on-going relationships. In 2009 we will need to secure additional funding or a development partner to enable us to pursue the commercial opportunities we have identified for tezampanel, NGX426 and NGX267. This will be in addition to our on-going asset sale activities involving our GSM program.

Since inception, substantially all of our revenue has been derived from our agreements with Eisai Co., Ltd. These agreements expired by their terms in 2008.

Eli Lilly

In 2003, we entered into a development and licensing agreement with Eli Lilly to obtain an exclusive license to Eli Lilly s ionotropic glutamate receptor antagonist asset tezampanel, and its prodrug NGX426. We paid Eli Lilly an up-front license fee of $6.0 million under the agreement. If specified development, regulatory and commercial milestones are achieved, we are obligated to make milestone payments to Eli Lilly. We are also obligated to pay royalties to Eli Lilly on any sales of tezampanel and NGX426. We are required to use commercially reasonable efforts to develop and commercialize the product candidates subject to the agreement, including use of commercially reasonable efforts to achieve specified development events within specified timeframes.

The term of the development and licensing agreement will continue until all royalty payment obligations have expired on a country-by-country basis, unless the agreement is earlier terminated. Under certain termination circumstances, all of the rights granted to us under the agreement will revert to Eli Lilly.

Life Science Research Israel (LSRI)

In 2004, we entered into an agreement with LSRI to obtain an exclusive license to their muscarinic receptor agonist assets NGX267 and NGX292. No up-front license fee was paid. For the first two years of the agreement, we provided specified amounts of research funding to LSRI. Through December 31, 2008 we paid LSRI total milestone payments of approximately $2.2 million. If additional specified development, regulatory and commercial milestones are achieved, we are obligated to make milestone payments to LSRI which may total up to an additional $18.3 million. We are also obligated to pay royalties to LSRI on sales of NGX267 and NGX292 and to pay LSRI a percentage of specified payments we receive upon sublicensing rights to either compound, subject to a minimum amount payable to LSRI for the first sublicense. If we sublicense rights to a compound after a specified point in development of the compound, LSRI will select the level of royalty and sublicense payments from among the alternatives provided in the agreement. We are required to use commercially reasonable efforts to develop and commercialize the product candidates subject to the agreement, including use of commercially reasonable efforts to achieve specified development events within specified timeframes.

The term of the agreement will continue on a country-by-country basis until the later of a specified number of years from the date of first commercial sale of a product in such country or the expiration in such country of the last-to-expire patent covering a product candidate licensed under the agreement, provided, however, that in the event that generic competition occurs in such country and results in a loss of a certain percentage of the market share for such product then the royalty payments will terminate in such country.

University of Iowa Research Foundation

We have a license agreement with the University of Iowa Research Foundation, or UIRF, pursuant to which UIRF has granted us an exclusive United States license to certain patents and patent applications relating to spinal administration of tezampanel. Under the terms of the agreement we have the right to sublicense our license.

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If we achieve specified regulatory and patent-related milestones, we will be obligated to make milestone payments to UIRF which may total up to $0.4 million. We must also pay UIRF an annual license maintenance fee which may be reduced by the amount of other payments made by us to UIRF under the agreement. We are also obligated to pay royalties to UIRF on any sales of tezampanel using the licensed patent rights and to pay UIRF a percentage of specified payments we receive upon sublicensing rights to the licensed patent rights. We are required to use commercially reasonable efforts to commercialize products using the licensed patent rights.

This agreement will continue until the expiration of the last-to-expire of the licensed patents and patent applications unless earlier terminated.

Competition

We and our strategic alliance partners face intense competition. We are in competition with fully integrated pharmaceutical companies, smaller companies that may be collaborating with larger pharmaceutical companies, academic institutions, government agencies and other public and private research organizations. Many of these competitors have prescription products for acute and chronic pain, such as migraine and neuropathic pain, and xerostomia already approved by the FDA or they are pursuing the same or similar approaches to those which constitute our development programs and operate larger development programs in these fields than ours. We believe that competition for the products that we may develop will come from companies that are conducting research, engaging in clinical development, or currently marketing and selling therapeutics to treat these conditions. These competitors include the pharmaceutical industry s leading companies.

For example, triptans are the most commonly prescribed drugs for the treatment of moderate to severe migraine. There are seven triptans approved for use and Imitrex®, marketed by GlaxoSmithKline, dominates the market. Other triptans are: Zomig®, Maxalt®, Amerge®, Frova , Axert®, and Relpax®. According to PhRMA s 2006 report, *Medicines in Development for Neurologic Disorders,* there are more than 30 companies seeking to develop compounds to treat migraine and pain disorders or to obtain additional indications to broaden the use of currently approved pain relieving prescription medications. This list includes most of the large pharmaceutical companies such as Abbott Laboratories, AstraZeneca, Eisai, Elan, Eli Lilly, GlaxoSmithKline, Merck, Pfizer, and Wyeth Pharmaceuticals as well as small and mid-sized biotechnology companies.

In the neuropathic pain market, we would compete with companies such as Pfizer, marketing Neurontin and Lyrica®, and Eli Lilly, marketing Cymbalta® in addition to opiods approved for treating neuropathic pain, off-label uses of products to treat neuropathic pain and generic products. Given the size of the neuropathic pain market, approximately $3.5 billion in 2006 and expected to double by 2016, it is likely that most of the large pharmaceutical companies as well as many biotechnology companies will look to develop compounds to treat neuropathic pain.

In the xerostomia market, Salagen®, marketed by MGI Pharma, and Evoxac®, marketed by Daiichi Pharmaceutical Corporation, are the only two prescription medications available to treat xerostomia. Each of these compounds are muscarinic receptor agonists. In addition, there are many over the counter medications that are used to treat dry mouth.

Many of our competitors, either alone or together with their collaborative partners, have substantially greater financial resources than us, as well as greater experience in developing pharmaceutical products, undertaking preclinical testing and human clinical trials, obtaining FDA and other regulatory approvals of products, formulating and manufacturing pharmaceutical products, and launching, marketing, distributing and selling products.

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Proprietary Rights

Patent Applications

Our policy is to pursue patents, both those generated internally and those licensed from third parties, pursue trademarks, maintain trade secrets and use other means to protect our technology, inventions and improvements that are commercially important to the development of our business.

If we are able to overcome our current financial issues and continue as a going concern, our success will depend significantly on our ability to:

- obtain and maintain patent and other proprietary protection for the technology, inventions and improvements we consider important to our business;
- defend our patents;
- preserve the confidentiality of our trade secrets; and
- operate without infringing the patents and proprietary rights of third parties.

As of December 31, 2008, we controlled approximately 135 patents and patent applications worldwide. Of these, 64 pertain to tezampanel and/or NGX426 (including 14 issued U.S. patents), 53 pertain to NGX267 and/or NGX292 (including 4 issued U.S. patents), and 18 pertain to our GSM program (including 1 issued U.S. patent). Issued patents, and patents that may issue from these pending applications, would expire between 2010 and 2028. In accordance with the Hatch-Waxman Act in the United States, and corresponding legislation in certain foreign countries, patents covering our drug products may be eligible for up to five years of patent term restoration.

Trademarks, Trade Secrets and Other Proprietary Information

We own the TORREYPINES THERAPEUTICS & Design trademark, which is registered in the U.S. and in Japan, Canada, and the European Community. We also own our Tree Logo trademark, which is registered in the U.S. Additionally, we own the POSIPHEN trademark, which is registered or pending in approximately 25 countries.

To protect our trade secrets and proprietary information, we require our employees, scientific advisors, consultants and collaborators to execute confidentiality agreements when they begin to work with us. Additionally, we require our employees, scientific advisors and consultants to assign to us any inventions developed as a result of their relationship with us. While these agreements provide a certain degree of protection of our proprietary information and internally developed technologies, they do not provide protection in the event of unauthorized disclosure of such information.

Manufacturing and Supply

We currently have no manufacturing capabilities and rely, or will rely, on third parties for the preclinical or clinical supplies of each of our product candidates. We do not currently have relationships for redundant supply or a second source for any of our product candidates. However, we believe that there are alternate sources of supply that can satisfy our preclinical and clinical trial requirements without significant delay or material additional costs.

Because our product candidates are all in an early stage of development, there is no commercial process developed for the synthesis of active pharmaceutical ingredient, or API, for any of our product candidates. In addition, we have not identified final market formulations and delivery systems for any of our product candidates. We must rely upon third party vendors to achieve a final commercial process for API and we must obtain FDA approval for both the API process and the drug product. Our reliance on third party vendors may result in delays, significant and unanticipated costs, or yield lower than anticipated amounts of product.

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Commercial quantities of any products we seek to develop will have to be manufactured in facilities and by processes that comply with the FDA and other regulations for current good manufacturing practices, or cGMPs. We plan to rely on third parties to manufacture commercial quantities of any products we successfully develop. We believe that there are several manufacturing sources available to us on commercially reasonable terms to meet our clinical requirements as well as any commercial production requirements.

Sales and Marketing

We currently have no marketing, sales or distribution capabilities. If and when tezampanel, NGX426 or NGX267 obtain regulatory approval, or in situations or markets where a more favorable return may be realized through licensing commercial rights to a third party, we may license a portion or all of our commercial rights in a territory to a third party in exchange for one or more of the following: up-front payments, research funding, development funding, milestone payments and royalties on product sales.

Government Regulation

FDA Requirements for New Drug Compounds

The research, testing, manufacture and marketing of pharmaceutical products are extensively regulated by numerous governmental authorities in the United States and other countries. In the United States, pharmaceutical products are subject to rigorous regulation by the FDA. The Federal Food, Drug, and Cosmetic Act, and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, labeling, promotion and marketing and distribution of pharmaceutical products. Failure to comply with applicable regulatory requirements may subject a company to a variety of administrative or judicial sanctions, including:

- suspension of review or refusal to approve pending applications;
- product seizures;
- recalls;
- withdrawal of product approvals;
- restrictions on, or prohibitions against, marketing its products;
- fines;
- restrictions on importation of its products;
- injunctions;
- debarment; and
- civil and criminal penalties.

The steps ordinarily required before a new pharmaceutical product may be marketed in the United States include:

preclinical laboratory tests, animal studies and formulation development according to good laboratory practices, or GLPs;

submission to the FDA of an investigational new drug application, or IND, which must become effective before clinical, or human, testing may commence;

adequate and well-controlled clinical trials to establish the safety and efficacy of the product for each indication for which FDA approval is sought according to good clinical practices;

submission to the FDA of a new drug application, or NDA;

satisfactory completion of an FDA Advisory Committee review, if applicable;

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satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is produced to assess compliance with cGMP; and

FDA review and approval of the NDA.

Satisfaction of FDA pre-market approval requirements typically takes several years, and the actual time required may vary substantially based upon the type, complexity and novelty of the product or disease. Government regulation may delay or prevent marketing of potential candidates for a considerable period of time and impose costly procedures upon a manufacturer s activities. Success in early stage clinical trials does not assure success in later stage clinical trials. Data obtained from clinical development is not always conclusive and may be susceptible to varying interpretations that could delay, limit or prevent regulatory approval. Even if a product receives regulatory approval, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market.

Preclinical tests include laboratory evaluation of product chemistry and formulation, as well as toxicology studies to assess the safety of the product. The conduct of the preclinical tests and formulation of compounds for testing must comply with federal regulations and requirements. The results of preclinical testing are then submitted to the FDA as part of an IND.

An IND, which must be approved before human clinical trials may begin, will automatically become effective 30 days after the FDA receives it, unless the FDA raises concerns or questions about the IND. If the FDA has questions or concerns, they must be resolved to the satisfaction of the FDA before initial clinical testing can begin. In addition, the FDA may, at any time, impose a clinical hold on on-going clinical trials. If the FDA imposes a clinical hold, clinical trials cannot commence or recommence without FDA authorization and then only under terms authorized by the FDA. In some instances, the IND process can result in substantial delay and additional expense.

Clinical trials involve the administration of the investigational drug to healthy volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted in compliance with federal regulations and requirements, under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated, among other things. Each protocol involving testing in the United States must be submitted to the FDA as part of the IND. In addition, an institutional review board, or IRB, at each site at which the clinical trial is conducted must approve the protocols, protocol amendments and informed consent documents for patients. All clinical trial participants must provide their informed consent in writing.

Clinical trials to support an NDA for marketing approval are typically conducted in three sequential phases, but the phases may overlap. In Phase I clinical trials, the initial introduction of the drug into healthy human subjects or patients, the drug is tested to assess safety, including side effects associated with increasing doses, metabolism, pharmacokinetics and pharmacological actions. Phase II clinical trials usually involve trials in a limited patient population, usually several hundred people, to determine dosage tolerance and optimum dosage, identify possible adverse effects and safety risks, and provide preliminary support for the efficacy of the drug in the indication being studied. In certain patient populations, accelerated approval is available based on Phase II clinical trial data. A Phase IIa clinical trial is typically designed to obtain proof-of-concept data and determine if the product candidate has an effect on a limited number of patients. A clinical trial designed to generate efficacy data but that is not expected to satisfy FDA criteria for NDA approval is sometimes referred to as a Phase IIb clinical trial. If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase II clinical trials, Phase III clinical trials are undertaken to further evaluate clinical safety and efficacy within an expanded patient population, usually several hundred to several thousand subjects, typically at geographically dispersed clinical trial sites. Phase I, Phase II or Phase III clinical trials of any product candidate may not be completed successfully within any specified time period, if at all.

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After successful completion of the required clinical testing, generally an NDA is prepared and submitted to the FDA. FDA approval of the NDA is required before marketing of the product may begin in the United States. The NDA must include the results of extensive preclinical studies and clinical trials and other detailed information, including, information relating to the product s pharmacology, chemistry, manufacture, and controls. The cost of preparing and submitting an NDA is substantial. Under federal law, the submission of NDAs are generally subject to substantial application user fees, currently exceeding $750,000, and the sponsor and/or manufacturer under an approved application are also subject to annual product and establishment user fees, currently exceeding $40,000 per product and $250,000 per establishment. Additional user fees exceeding $300,000 apply for NDA supplements containing clinical data. Fees are waived for the first pre-market application from companies with gross sales of less than $30 million. These fees are typically increased annually.

The FDA has 60 days from its receipt of an NDA to determine whether the application will be accepted for filing based on the agency s threshold determination that the NDA is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under federal law, the FDA has agreed to certain performance goals in the review of most NDAs. Applications for non-priority drug products are generally reviewed within 12 months. Applications for priority drugs, such as those that address an unmet medical need, are generally reviewed within 6 months. The review process can be significantly extended by FDA requests for additional information or clarification regarding information already provided in the submission.

The FDA may also refer applications for novel drug products or drug products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee. Also, before approving an NDA, the FDA will inspect the facility or the facilities at which the product is manufactured to assure that the facilities, methods and controls are adequate to preserve the product s identity, strength, quality and purity.

If FDA evaluations of the NDA and the manufacturing facilities are favorable, the FDA may issue an approval letter, or, in some cases, an approvable letter followed by an approval letter. An approvable letter generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA. If and when those conditions have been met to the FDA s satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. If the FDA s evaluation of the NDA submission is not favorable, the FDA may refuse to approve the NDA or issue a not approvable letter. A not approvable letter outlines the deficiencies in the submission and may require additional testing or information in order for the FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. With limited exceptions, the FDA may withhold approval of an NDA regardless of prior advice it may have provided or commitments it may have made to the sponsor.

As a condition of NDA approval, the FDA may require post-approval testing and surveillance to monitor the drug s safety or efficacy and may impose other conditions, including labeling restrictions which can materially impact the potential market and profitability of the drug. In addition, a product approval may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing.

The FDA has various programs, including FastTrack designation, accelerated approval and priority review that are intended to expedite or simplify the process for reviewing certain drugs. Specifically, drug products that are intended for the treatment of serious or life-threatening conditions and demonstrate the potential to address unmet medical needs may be eligible for FastTrack designation and/or accelerated approval. Products may qualify for accelerated approval based on adequate and well-controlled Phase II clinical trial results that establish that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit. As a condition of approval, the FDA may require that a sponsor of a drug product receiving FastTrack or accelerated approval perform post-marketing clinical trials. In addition, if a drug product would provide a significant

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improvement compared to marketed products, it may be eligible to receive priority review, which shortens the time in which the FDA acts on the sponsor s application. Even if a drug product qualifies for one or more of these programs, the FDA may later decide that the drug no longer meets the conditions for qualification or the time period for FDA review or approval will not be shortened.

After an NDA is approved, the approved drug will be subject to certain post-approval requirements, including a requirement to report adverse events and to submit annual reports. In addition, a supplemental NDA may be required for approval of changes to the originally approved indication, prescribing information, product formulation, and manufacturing and testing requirements. Following approval, drug products are required to be manufactured and tested for compliance with NDA and/or compendia specifications prior to release for commercial distributions. The manufacture and testing must be performed in approved manufacturing and testing sites that comply with cGMP requirements and are subject to FDA inspection authority.

Approved drugs must be promoted in a manner that is consistent with their terms and conditions of approval, and that is not false or misleading. In addition, the FDA requires substantiation of any claims of superiority of one product over another, generally through adequate and well-controlled head-to-head clinical trials. To the extent that market acceptance of our product candidates may depend on their superiority over existing therapies, any restriction on our ability to advertise or otherwise promote claims of superiority, or requirements to conduct additional expensive clinical trials to provide proof of such claims, could negatively affect the sales of our products and/or our expenses.

Once an NDA is approved, the product covered thereby becomes a listed drug which can, in turn, be cited by potential competitors in support of approval of an abbreviated new drug application, or ANDA. An ANDA provides for marketing of a drug product that has the same active ingredients, strength, dosage form, route of administration and conditions of use, and has been shown through bioequivalence testing to be therapeutically equivalent to the listed drug. Generally, an ANDA applicant is required only to conduct bioequivalence testing, and is not required to conduct or submit results of preclinical or clinical tests to prove the safety or efficacy of its drug product. Drugs approved in this way, commonly referred to as generic equivalents to the listed drug, are listed in the FDA s Approved Drug Products with Therapeutic Equivalence Evaluations, which is referred to as the Orange Book, and can often be substituted by pharmacists under prescriptions written for the original listed drug.

Federal law provides for a period of three years of exclusivity following approval of a listed drug that contains previously approved active ingredients but is approved in a new dosage, dosage form, indication or route of administration or combination, if one of the clinical trials conducted was essential to the approval of the application and was conducted or sponsored by the applicant. During this three year period, the FDA cannot grant effective approval of an ANDA based on that listed drug. Federal law also provides a period of exclusivity for five years following the approval of a drug containing a new chemical entity, except that an ANDA may be submitted after four years following the approval of the original product if the ANDA challenges a listed patent as invalid or not infringed.

Applicants submitting an ANDA are required to make a certification with regard to any patents listed for an innovative drug, stating that either there are no patents listed in the Orange Book for the innovative drug, any patents listed have expired, the date on which the patents will expire, or that the patents listed are invalid, unenforceable, or will not be infringed by the manufacture, use, or sale of the drug for which the ANDA is submitted. If an ANDA applicant certifies that it believes all listed patents are invalid or not infringed, it is required to provide notice of its ANDA submission and certification to the NDA sponsor and the patent owner. If the patent owner, its representatives, or the approved application holder, who is an exclusive patent licensee, then initiates a suit for patent infringement against the ANDA sponsor within 45 days of receipt of the notice, the FDA cannot grant effective approval of the ANDA until either 30 months have passed or there has been a court decision holding that the patents in question are invalid or not infringed. On the other hand, if a suit for patent infringement is not initiated within the 45 days, the ANDA applicant may bring a declaratory judgment action.

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If the ANDA applicant certifies that it does not intend to market its generic product before some or all listed patents on the listed drug expire, then the FDA cannot grant effective approval of the ANDA until those patents expire. The first ANDA submitting a substantially complete application certifying that all listed patents for a particular product are invalid or not infringed may qualify for a period of 180 days of exclusivity against other generics, which begins to run after a final court decision of invalidity or non-infringement or after the applicant begins marketing its product, whichever occurs first, during which time subsequently submitted ANDAs cannot be granted effective approval. If more than one applicant files a substantially complete ANDA on the same day, each such first applicant will be entitled to share the 180-day exclusivity period, but there will only be one such period, beginning on the date of the first marketing by any of the first applicants.

FDA also imposes a number of complex requirements and restrictions on entities that advertise and promote prescription drugs, which include, among others, standards for and regulations of print and in-person promotion, product sampling, direct-to-consumer advertising, off-label promotion, industry sponsored scientific and educational activities, and promotional activities involving the Internet. The FDA has very broad enforcement authority under the Federal Food, Drug and Cosmetic Act, and failure to abide by FDA requirements can result in penalties and other enforcement actions, including the issuance of warning letters or other letters objecting to violations and directing that deviations from FDA standards be corrected, total or partial suspension of production, and state and federal civil and criminal investigations and prosecutions.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the approval, manufacturing and marketing of drug products. In addition, FDA regulations and guidance are often revised or reinterpreted by the agency or the courts in ways that may significantly affect our business and products candidates. It is impossible to predict whether legislative changes will be enacted, or FDA regulations, guidance or interpretations changed, or what the impact of such changes, if any, may be.

Foreign Regulation of New Drug Compounds

Approval of a product by comparable regulatory authorities may be necessary in foreign countries prior to the commencement of marketing of the product in those countries, whether or not FDA approval has been obtained. In general, each country has its own procedures and requirements, many of which are time consuming, expensive, and may require additional studies prior to marketing the product. Also, the time required may differ from that required for FDA approval. Thus, there can be substantial delays in obtaining required approvals from foreign regulatory authorities after the relevant applications are filed.

In Europe, marketing authorizations may be granted at a centralized level, a decentralized level or a national level. The centralized procedure provides a single marketing authorization valid in all European Union member states, and is mandatory for the approval of most medicinal products, including certain biotechnology products. The decentralized procedure allows an applicant to seek market authorizations in several designated member states at once, and a national market authorization provides an authorization valid in only one member state. All medicinal products that are not subject to the centralized procedure and which have received at least one marketing authorization in another member state may receive additional marketing authorizations from other member states through a mutual recognition procedure.

Reimbursement and Pricing

In the United States and elsewhere, sales of pharmaceutical products depend in significant part on the availability of reimbursement to the consumer from third-party payors, such as government and private insurance plans. Third-party payors are increasingly challenging the prices charged for medical products and services. It will be time-consuming and expensive for us to go through the process of seeking reimbursement from Medicare and private payors. Our products may not be considered cost effective, and coverage and reimbursement may not be available or sufficient to allow us to sell our products on a competitive and profitable basis.

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In many foreign markets, including the countries in the European Union, pricing of pharmaceutical products is subject to governmental control. In the United States, there have been, and we expect that there will continue to be, a number of federal and state proposals to implement similar governmental pricing control. While we cannot predict whether such legislative or regulatory proposals will be adopted, the adoption of such proposals could have a material adverse effect on our business, financial condition and profitability.

Hazardous Materials

Our development processes involve the controlled use of hazardous materials, chemicals and the production of waste products. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of hazardous materials and waste products. We do not expect the cost of complying with these laws and regulations to be material.

Employees

As of December 31, 2008, we had 10 full-time employees, 2 of whom were engaged in clinical development and 8 of whom were engaged in management, business development and accounting. As of March 25, 2009 we had 5 full-time and 5 part-time employees. Of our employees, approximately half hold advanced degrees. None of our employees are represented by a labor union or covered by a collective bargaining agreement, nor have we experienced work stoppages. We believe that relations with our employees are good.

Company Website

We maintain a website at *www.tptxinc.com*. We make available free of charge on our website our periodic and current reports as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission, or SEC. Information contained on, or accessible through, our website is not part of this report or our other filings with the SEC.

We were initially incorporated in Nevada on July 29, 1997 as Axonyx Inc. In October 2006, we were reincorporated in Delaware and changed our name to TorreyPines Therapeutics, Inc. Our principal executive offices are located at 11085 North Torrey Pines Road, Suite 300, La Jolla, CA 92037, and our telephone number is (858) 623-5665.

Item 1A. Risk Factors.

You should consider carefully the following information about the risks described below, together with the other information contained in this annual report on Form 10-K and in our other filings with the Securities and Exchange Commission, before you decide to buy or maintain an investment in our common stock. We believe the risks described below are the risks that are material to us as of the date of this annual report. If any of the following risks actually occur, our business financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you may lose all or part of the money you paid to buy our common stock.

Risks Related to Our Business

We may not be able to continue as a going concern. We will need substantial additional funds to continue operations, which we may not be able to raise on favorable terms, or at all.

We will need substantial additional funds in order to initiate any further preclinical studies or clinical trials, for debt obligations and to fund our operations through 2009. Our independent registered public accounting firm has included an explanatory paragraph in their report on our 2008 financial statements related to the uncertainty and substantial doubt of our ability to continue as a going concern. Our plan to address these matters is described in Note 1 to the Financial Statements. We believe that our cash and cash equivalents, which were approximately

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$10.9 million at December 31, 2008 will only fund our operations into the second quarter, and possibly the third quarter, of 2009. Although we intend to continue to seek additional financing or a strategic partner, we may not be able to complete a financing or corporate transaction, either on favorable terms or at all. If we are unable to complete a financing or strategic transaction, we do not expect to be able to continue as a going concern and will be required to cease operations, seek protection under the provisions of the U.S. Bankruptcy Code or liquidate and dissolve the Company.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in these risk factors. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. If we are able to obtain funds through arrangements with collaborative partners or others that require us to relinquish rights to technologies or product candidates that we would otherwise seek to develop or commercialize ourselves this may have a material adverse effect on our business, results of operations, financial condition or cash flow.

We are seeking to maximize the value of our assets, and address our liabilities and raise additional capital for our existing business. We are attempting to pursue asset out-licenses, asset sales, mergers or similar strategic transactions. We may be unable to satisfy our liabilities and can provide no assurances that we can be successful in executing a strategic transaction.

Due to our financial position, we are unable to initiate further preclinical studies or clinical trials. We are actively considering strategic alternatives with the goal of maximizing the value of our assets. In addition, we are considering our restructuring alternatives, including business arrangements such as the out-licensing or sale of product candidates or the Company as a whole. There are substantial challenges and risks which will make it difficult to successfully implement any of these opportunities. Even if we determine to pursue one or more of these alternatives, we may be unable to do so on acceptable terms, if at all. In such event, we will be forced to cease operations, seek protection under the provisions of the U.S. Bankruptcy Code or liquidate and dissolve the Company.

Stockholders should recognize that in our efforts to address our liabilities and fund future operations and development of our product candidates, we may pursue strategic alternatives that result in the stockholders of the Company having little or no continuing interest in the assets of the Company as stockholders or otherwise. We will continue to evaluate our alternatives in light of our cash position, including the possibility that we may need to liquidate the Company.

We may need to liquidate the Company in a voluntary dissolution under Delaware law or to seek protection under the provisions of the U.S. Bankruptcy Code, and in that event, it is unlikely that stockholders would receive any value for their shares.

We have incurred net operating losses every year since our inception. As of December 31, 2008, we had an accumulated deficit of approximately $119.2 million. As of March 25, 2009 we have been unable to raise the necessary capital to continue our existing operations. We are currently evaluating our strategic alternatives with respect to all aspects of our business. We cannot assure our stockholders that any actions that we take would raise or generate sufficient capital to fully address the uncertainties of our financial position. As a result, we may be unable to realize value from our assets and discharge our liabilities in the normal course of business. If we are unable to settle our obligations to our creditors or if we are unable to consummate a strategic transaction we would likely need to liquidate the Company in a voluntary dissolution under Delaware law or to seek protection under the provisions of the U.S. Bankruptcy Code. In that event, we or a trustee appointed by the court may be required to liquidate our assets. In either of these events, we might realize significantly less value from our assets than their carrying values on our financial statements. The funds resulting from the liquidation of our assets would be used first to satisfy obligations to creditors before any funds would be available to our stockholders,

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and any shortfall in the proceeds would directly reduce the amounts available for distribution, if any, to our creditors and to our stockholders. In the event we were required to liquidate under Delaware law or the federal bankruptcy laws, it is highly unlikely that stockholders would receive any value for their shares.

Our credit facility with Comerica Bank includes a restrictive financial covenant, violation of which could restrict a significant amount of our available cash balances.

Our loan and security agreement with Comerica Bank, or Comerica, contains a restrictive financial covenant requiring us to maintain a minimum of $5.4 million in available cash, cash equivalents and short-term investments, or available cash balances. If our available cash balances drop below $5.4 million, Comerica could declare the loan immediately due and payable, and require us to repay the outstanding balance due pursuant to the loan and security agreement. We would be required to use a significant amount of our available cash balance to repay the outstanding loan balance which would reduce the cash available to fund our operations or satisfy other liabilities.

We are currently not in compliance with Nasdaq rules regarding the minimum bid price and are at risk of being delisted from the Nasdaq Global Market, which may subject us to the SEC s penny stock rules and decrease the liquidity of our common stock.

We received a Nasdaq staff deficiency letter dated August 21, 2008 indicating that, for the prior 30 consecutive days, the bid price for the Company s common stock had closed below the minimum bid price of $1.00 per share as required for continued inclusion of the Nasdaq Global Market under Marketplace Rule 4450(a)(5). In accordance with Marketplace Rule 4450(e)(2), the Company has 180 calendar days to regain compliance with the minimum bid price requirement of $1.00 per share. In addition, as of March 25, 2009, the market value of our publicly held shares was less than $5 million, which is the minimum market value of publicly held shares required for continued listing under the Nasdaq Global Market s Marketplace Rules. However, Nasdaq has temporarily suspended, through July 20, 2009, the application of the continued listing requirements related to minimum bid price and minimum market value of publicly held shares for listing on the Nasdaq Global Market. Assuming the suspension is not extended, we will have until November 19, 2009, to regain compliance with the minimum bid price requirement of $1.00 per share. If the Company does not regain compliance by the end of such period, and does not elect or is unable to transfer to the Nasdaq Capital Market, Nasdaq will provide written notification that the Company s common stock will be delisted, after which the Company may appeal the staff determination to the Nasdaq Listing Qualifications Panel if it so chooses. In addition, as of December 31, 2008 our stockholders equity was less than $10 million, which is the minimum required stockholders equity for continued listing on the Nasdaq Global Market. The minimum stockholders equity requirement has not been suspended by Nasdaq and we could, therefore, receive a deficiency notice requiring that we regain compliance within a specified period of time.

If at the conclusion of compliance periods described above, we have not achieved compliance, we expect that we would be delisted from the Nasdaq Global Market. Following any such delisting, our common stock may be traded over-the-counter on the OTC Bulletin Board or in the pink sheets. These alternative markets, however, are generally considered to be less efficient than, and not as broad as, the Nasdaq Global Market. Many OTC stocks trade less frequently and in smaller volumes than securities traded on the Nasdaq markets, which could have a material adverse effect on the liquidity of our common stock. If our common stock is delisted from the Nasdaq Global Market, there may be a limited market for our stock, trading in our stock may become more difficult and our share price could decrease even further. In addition, if our common stock is delisted, our ability to raise additional capital may be impaired.

Specifically, you may not be able to resell your shares of common stock at or above the price you paid for such shares or at all. In addition, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Any such litigation brought against us could result in substantial costs and a diversion of management s attention and resources, which could hurt our business, operating results and financial condition.

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In addition, our common stock may become subject to penny stock rules. The SEC generally defines penny stock as an equity security that has a market price of less than $5.00 per share, subject to certain exceptions. We are not currently subject to the penny stock rules because our common stock qualifies for an exception to the SEC s penny stock rules for companies that have an equity security that is quoted on the Nasdaq Stock Market. However, if we were delisted, our common stock would become subject to the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell our common stock. If our common stock were considered penny stock, the ability of broker-dealers to sell our common stock and the ability of our stockholders to sell their shares in the secondary market would be limited and, as a result, the market liquidity for our common stock would be adversely affected. We cannot assure you that trading in our securities will not be subject to these or other regulations in the future.

We expect to continue to incur net operating losses for the next several years and may never achieve profitability.

We have incurred net operating losses every year since our inception. As of December 31, 2008, we had an accumulated deficit of approximately $119.2 million. If we are able to overcome our current financial issues and our operations were to continue, over the next several years we would expect a significant increase in our operating losses as we conduct additional development, clinical testing and regulatory compliance activities. All of our revenue to date has been payments received in connection with our collaboration and licensing agreements. We cannot be certain that we will generate additional revenue through licensing activities or that we will receive any of the milestone or royalty payments associated with our current licensing agreements. Given the risks associated with development, clinical testing, manufacturing and marketing of drug products, we may never be successful in commercializing a drug product that will enable us to be profitable. Our ability to generate significant continuing revenue depends on a number of factors, including:

- successful completion of on-going and future clinical trials for our product candidates;