Zosano Pharma Corp
Form S-1/A
January 29, 2018
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As filed with the Securities and Exchange Commission on January 29, 2018.

Registration No. 333-222265

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

under

THE SECURITIES ACT OF 1933

ZOSANO PHARMA CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	2834	45-4488360
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

34790 Ardentech Court

Fremont, California 94555

(510) 745-1200

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

John Walker

President and Chief Executive Officer

34790 Ardentech Court

Fremont, California 94555

(510) 745-1200

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act) please check the following box.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

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

Emerging growth company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee**
Common Stock, par value $0.0001 per share	$57,500,000	$7,158.75

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended. Includes shares subject to the underwriters option to purchase additional shares.
(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price of the securities registered hereunder.

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

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

Subject to completion, dated January 29, 2018

PROSPECTUS

$50,000,000

Common Stock

$ per share

Zosano Pharma Corporation is offering $50,000,000 of shares of its common stock.

Trading symbol: The Nasdaq Capital Market ZSAN.

On January 26, 2018, the last reported sale price of our common stock on the Nasdaq Capital Market was $7.41 per share. The actual offering price per share will be as determined between us and the underwriters at the time of pricing.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, we have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings. See Prospectus Summary Implications of Being an Emerging Growth Company.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 12 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount[(1)(2)]	$	$
Proceeds, before expense, to Zosano Pharma Corporation	$	$

(1) We refer you to Underwriting beginning on page 48 of this prospectus for additional information regarding total underwriter compensation.
(2) The underwriters will also be reimbursed for certain expenses incurred in this offering.
We have granted the underwriters a 30-day option to purchase up to $7,500,000 of additional shares of our common stock on the same terms and conditions described herein, solely to cover over-allotments, if any.

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

The underwriters expect to deliver the shares against payment therefor on or about , 2018.

BTIG

The date of this prospectus is , 2018.

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You should rely only on the information contained in this prospectus, including the information incorporated by reference herein, and any related free writing prospectus that we may provide you in connection with this offering.

You should rely only on the information that we have included or incorporated by reference in this prospectus and any related free writing prospectus that we may authorize to be provided to you. We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus or any related free writing prospectus that we may authorize to be provided to you. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or any related free writing prospectus. This prospectus and any related free writing prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus or any related free writing prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

You should not assume that the information contained in this prospectus or any related free writing prospectus is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference herein or therein is correct on any date subsequent to

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the date of the document incorporated by reference, even though this prospectus or any related free writing prospectus is delivered, or securities are sold, on a later date.

This prospectus contains or incorporates by reference summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed or have been incorporated by reference as exhibits to the registration statement of which this prospectus forms a part, and you may obtain copies of those documents as described in this prospectus under the heading Where You Can Find More Information.

For investors outside the United States: neither we nor any of the underwriters have taken any action to permit a public offering of the shares of our common stock or the possession or distribution of this prospectus or any related free writing prospectus that we may provide you in connection with this offering in any jurisdiction where action for that purpose is required, other than the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus and any such free writing prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained in other parts of this prospectus and in the documents we incorporate by reference. Because it is only a summary, it does not contain all of the information that you should consider before investing in shares of our common stock and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus, any applicable free writing prospectus and the documents incorporated by reference herein and therein. You should read all such documents carefully, especially the risk factors and our consolidated financial statements and the related notes included or incorporated by reference herein or therein, before deciding to buy shares of our common stock. Unless the context requires otherwise, references in this prospectus to Zosano, Company, we, us and our refer to Zosano Pharma Corporation.

Overview

Zosano Pharma Corporation is a clinical stage biopharmaceutical company focused on providing rapid systemic administration of therapeutics to patients using our proprietary Adhesive Dermally-Applied Microarray, or ADAM, technology. In February 2017, we announced positive results from our ZOTRIP pivotal efficacy trial, or ZOTRIP trial, that evaluated M207, which is our proprietary formulation of zolmitriptan delivered via our ADAM technology, as an acute treatment for migraine. We are focused on developing products where rapid administration of established molecules with known safety and efficacy profiles provides an increased benefit to patients, for markets where patients remain underserved by existing therapies. We anticipate that many of our current and future development programs may enable us to utilize a regulatory pathway that would streamline clinical development and accelerate the path towards commercialization.

ADAM is our proprietary, investigational technology platform designed to offer rapid drug absorption into the bloodstream, which can result in an improved pharmacokinetic profile compared to original dosage forms. ADAM consists of an array of drug-coated titanium microprojections mounted on an adhesive backing that is pressed on to the skin using a reusable handheld applicator. The microprojections penetrate the stratum corneum and allow the drug to be absorbed into the microcapillary system of the skin. We focus on developing products based on our ADAM technology for indications in which rapid onset, ease of use and stability offer significant therapeutic and practical advantages, for markets where there is a need for more effective therapies.

Our development efforts are focused on our product candidate, M207. M207 is our proprietary formulation of zolmitriptan delivered utilizing our ADAM technology. Zolmitriptan is one of a class of serotonin receptor agonists known as triptans and is used as an acute treatment for migraine. Migraine is a debilitating neurological disease, symptoms of which include moderate to severe headache pain, nausea and vomiting, and abnormal sensitivity to light and sound. The objective of M207 is to provide faster onset of efficacy and sustained freedom from migraine symptoms by delivering rapid absorption while avoiding GI tract. Feedback from the United States Food and Drug Administration, or FDA, on M207 s regulatory path has also been encouraging. The agency has indicated that one positive pivotal efficacy study, in addition to the required safety study, would be sufficient for approval of M207 for the treatment of migraine.

Recent Developments

ZOTRIP Phase 3 Trial Results

The ZOTRIP trial was a multicenter, double-blind, randomized, placebo-controlled trial comparing three doses of M207 (1.0mg, 1.9mg, and 3.8mg) to placebo for the treatment of a single migraine attack. As

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illustrated in the table below, the ZOTRIP trial results showed that the 3.8mg M207 dose demonstrated statistically significant pain freedom and most bothersome symptom freedom at two hours, the co-primary endpoints of the study.

ZOTRIP Trial Primary Endpoints Results

Primary endpoint	Placebo	3.8mg M207	p-value*
Pain freedom	14.3%	41.5%	0.0001
Most bothersome symptom freedom	42.9%	68.3%	0.0009

* The p value is the probability of an event occurring by chance alone. When the p value is less than 5% (0.05) the results are considered to be statistically significant.

The 3.8mg dose also achieved statistical significance in the secondary endpoints of pain freedom at 45 minutes and 60 minutes and showed durability of effect on pain freedom at 24 and 48 hours. While the 1.0mg and 1.9mg doses of M207 demonstrated statistical significance in pain freedom at two hours, they did not demonstrate statistical significance in freedom from most bothersome symptom at two hours.

ZOTRIP Trial Secondary Endpoints Results

Pain Freedom	Placebo	3.8mg M207	p-value*
Pain freedom at 45 minutes	5.2%	17.1%	0.0175
Pain freedom at 60 minutes	10.4%	26.8%	0.0084
Pain freedom at 24 hours	39.0%	69.5%	0.0001
Pain freedom at 48 hours	39.0%	64.6%	0.0013

M207 was well-tolerated with no SAEs reported in the ZOTRIP study. The most frequently reported adverse event was redness at the application site (18.3% of subjects) and all cases of redness resolved. Thirteen subjects (3.9%) reported pain at the application site; with application site pain reported as mild in all but three subjects. Additionally, five (1.5%) subjects across M207-treated groups reported dizziness versus no subjects in the placebo group.

M207 Long Term Safety Study

In November 2017, we announced the initiation of our long-term safety study for M207 as an acute treatment of migraine (M207-ADAM), with the enrollment of the first patient. M207-ADAM is an open label study evaluating the safety of the 3.8mg dose of zolmitriptan in migraine patients who have historically experienced at least two migraines per month. Patients are expected to treat a minimum of two migraines per month, with no maximum treatment limits. The M207-ADAM study will evaluate 150 patients for six months, and 50 patients for a year at approximately 30 sites in the U.S. The study is open-label, with investigator visits at months one, two, three, six, nine and twelve to record adverse events. We expect to have completed enrollment of 100 patients by the end of the first quarter of 2018 and 250 patients by the end of the second quarter of 2018. The primary objective of M207-ADAM is to assess safety of M207 during repeated use over six and twelve months. Other endpoints are electrocardiography and laboratory parameters, as well as percentage of headaches with pain-free response. Six month safety data is expected by the end of the fourth quarter of 2018 and twelve month safety data is expected by the end of the first quarter of 2019. We expect to file an NDA for M207 by the end of the fourth quarter of 2019.

Our Strategy

Our goal is to make intracutaneous drug delivery a preferred delivery modality for indications where fast onset provides a therapeutic benefit to patients. Our near term focus is the continued development of our

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lead product candidate, M207, as well as other drugs that treat central nervous system conditions and disorders. The key elements of our strategy are to:

Develop and commercialize M207. We believe that M207, if approved by the FDA, will offer significant therapeutic and practical advantages as compared to existing migraine therapeutics, including its rapid onset, ease of use and stability. We have retained worldwide commercial rights to M207. While we currently intend to develop M207 through FDA approval and commercialization in the United States ourselves, we remain open to opportunities with potential strategic partners to ensure our product candidates will receive the best chance of commercial success.

Focus on regulatory support and market opportunities for M207. We intend to focus our resources on non-clinical and clinical studies that would enable a full NDA filing for M207 and, if approved, would support market acceptance and expansion for M207. For example, certain preclinical studies, such as 30 day toxicity, are required in order to file an NDA. In addition, depending on available capital, we may contemplate additional clinical studies that would expand the available market for M207, such as in cluster headaches, or support market acceptance, such as a comparison trial against other commercially available therapies.

Pursue indications outside migraine for external partnering. We have performed initial feasibility studies on a number of compounds, both within CNS and in other therapeutic indications, where rapid drug delivery could provide a therapeutic benefit to patients. For product candidates that are outside migraine, or where a partner can contribute specific expertise, we intend to evaluate collaborations with strategic partners to further the clinical and commercial development of such product candidates.

Intellectual Property

As of January 8, 2018, we held exclusive licenses to or owned 28 United States patents and five United States patent applications, as well as three Patent Cooperation Treaty patent applications, covering key features of our intracutaneous delivery system, such as formulation, methods of treatment, coating, array design, patch anchoring, patch application, delivery, manufacturing and packaging. In January 2018, we received a Notice of Allowance from the U.S. Patent and Trademark Office for our patent application directed to M207 titled Method of Rapidly Achieving Therapeutic Concentrations of Triptans for Treatment of Migraines. This newly-allowed patent application contains claims generated from formulation, preclinical and clinical studies, and highlights the unique aspects of our technologies and their applicability for the treatment of migraine. We expect that this newly-allowed application will issue as a patent in the first quarter of 2018, and will expire in 2037. We believe that the remaining life of our patent portfolio may make our technology particularly attractive for third parties seeking to extend the lifecycle of profitable drugs nearing the expiration of their patent protection.

Purchase Agreement with Lincoln Park

On October 20, 2017, we entered into a purchase agreement, which we refer to as the LPC Purchase Agreement, with Lincoln Park Capital, LLC, or LPC. In connection with our entry into the LPC Purchase Agreement, we issued 11,375 shares of our common stock, as initial commitment shares, to LPC and we will issue, pro rata, up to an additional 11,375 shares of our common stock as additional commitment shares to Lincoln Park in connection with any future purchases thereunder. Pursuant to the terms and subject to the conditions and limitations of the LPC Purchase Agreement, we have the right, but not the obligation, to sell to LPC, and LPC is obligated to purchase, up to $35.0 million worth of shares of our common stock. Such future sales of common stock, if any, will occur over the 30-month period that

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commenced on November 22, 2017. As of December 22, 2017, no additional shares have been issued under the LPC Purchase Agreement.

Special Stockholder Meeting, Reverse Split and Authorized Share Increase

On January 23, 2018, we held a special meeting of stockholders. At the special meeting, the stockholders approved, among other things, an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 100,000,000 to 250,000,000 shares. A Certificate of Amendment to the Amended and Restated Certificate of Incorporation authorizing the authorized share increase was filed with the Secretary of State of the State of Delaware on January 24, 2018, and the authorized share increase became effective in accordance with the terms of the Certificate of Amendment upon filing with the Secretary of State of the State of Delaware.

The stockholders also approved a proposal authorizing the board of directors, in its discretion, to effect a reverse stock split of our outstanding shares of common stock at a ratio ranging from 1-for-5 to 1-for-20 to be determined by the Board of Directors and effected, if at all, no later than November 23, 2018. On January 23, 2018, following the special stockholder meeting, the board of directors approved a 1-for-20 reverse stock split of the common stock and the filing of a Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company to effectuate the reverse stock split. A Certificate of Amendment to the Amended and Restated Certificate of Incorporation authorizing the reverse stock split was filed with the Secretary of State of the State of Delaware on January 24, 2018, and the reverse stock split became effective in accordance with the terms of the Certificate of Amendment at 5:00 p.m. Eastern Time on January 25, 2018, which we refer to as the Effective Time.

At the Effective Time, every twenty shares of common stock issued and outstanding was automatically combined into one share of issued and outstanding common stock, without any change in the par value per share. The reverse stock split did not affect the number of authorized shares of common stock, which, after giving effect to the authorized share increase, is 250,000,000 shares. In addition, a proportionate adjustment will be made to the per share exercise price and the number of shares issuable upon the exercise of the Company s outstanding equity awards, options and warrants to purchase shares of common stock and the number of shares reserved for issuance pursuant to the Company s equity incentive compensation plans.

Available Information

Our website address is *www.zosanopharma.com*. The information contained in, or accessible through, our website does not constitute part of this prospectus. We make available free of charge on our website our annual, quarterly and current reports, including amendments to such reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission, or the SEC. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website as part of this prospectus.

Risks Associated with our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the Risk Factors section of this prospectus immediately following this prospectus summary and in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K filed with the SEC on March 1, 2017, as amended, which is incorporated by reference in this prospectus. These risks include, but are not limited to, the following:

- We have a history of operating losses. We expect to continue to incur losses over the next several years and may never become profitable.

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We will require additional financing to sustain our operations and without it may not be able to continue operations.

We have generated only limited revenues and will need additional capital to develop and commercialize our product candidates, which may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Our loan facility with Hercules Capital, Inc., or Hercules, imposes restrictions on our business, and if we default on our obligations, Hercules would have a right to foreclose on substantially all of our assets, including our intellectual property and proceeds of this offering.

We may expend our limited resources to pursue a particular product candidate and fail to capitalize on product candidates that may be more profitable or for which there is a greater likelihood of success.

The development and commercialization of our product candidates is subject to many risks. If we do not successfully develop and commercialize our product candidates, our business will be adversely affected.

Clinical trials are very expensive, time-consuming and difficult to design and implement.

If we are not able to establish collaborations, we may have to alter our development plans.

Our long-term growth will be limited unless we successfully develop a pipeline of additional product candidates.

On November 28, 2017, we received written notice from The Nasdaq Stock Market, LLC indicating that we are not in compliance with the $1.00 minimum bid price requirement for continued listing on the Nasdaq Capital Market, as set forth in Listing Rule 5550(a)(2). If we are unable to maintain listing of our securities on the Nasdaq Capital Market or another reputable stock exchange, it may be more difficult for the Company s stockholders to sell their securities or for us to obtain additional financing.

We use customized equipment to coat and package our microneedle patch system, making us vulnerable to production and supply problems that could negatively impact the clinical trials of our product candidates or sales of our product candidates, if approved.

We have no experience selling, marketing or distributing approved product candidates and have limited internal capability to do so, and we have limited experience manufacturing our proposed product candidates.

We rely on third parties to conduct our clinical trials and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.

If we fail to comply with our obligations to our licensor in our intellectual property license, we could lose license rights that are important to our business.

Our failure to obtain and maintain patent protection for our technology and our product candidates could permit our competitors to develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and product candidates may be adversely affected.

We may not successfully manage our growth.

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Corporate Information

We were incorporated under the laws of the State of Delaware as ZP Holdings, Inc. in January 2012, and changed our name to Zosano Pharma Corporation in June 2014. Our business was spun out of ALZA Corporation, a subsidiary of Johnson & Johnson, in October 2006. We were originally incorporated under the name The Macroflux Corporation, and changed our name to Zosano Pharma, Inc. in 2007 following the spin-off from Johnson & Johnson. In April 2012, in a transaction to recapitalize the business, a wholly-owned subsidiary of ZP Holdings was merged with and into Zosano Pharma, Inc., whereby Zosano Pharma, Inc. was the surviving entity and became a wholly-owned subsidiary of ZP Holdings. In June 2014, Zosano Pharma, Inc. changed its name to ZP Opco, Inc. As of December 31, 2016, Zosano Pharma Corporation had one wholly owned subsidiary, ZP Opco, Inc., through which the Company conducted its primary research and development activities. ZP Group LLC, a former subsidiary that was originally formed as a joint venture with Asahi Kasei Pharmaceuticals USA (Asahi), ceased operations in December 2013 and was dissolved on December 30, 2016. On November 1, 2017, ZP Opco, Inc. merged with and into Zosano Pharma Corporation, with Zosano Pharma Corporation as the surviving corporation of the merger.

Our principal executive offices are located at 34790 Ardentech Court, Fremont, California 94555. Our telephone number is (510) 745-1200. Our website address is www.zosanopharma.com. The information contained on our website is not incorporated by reference into this prospectus, and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase our common stock.

This prospectus contains references to our trademarks and to trademarks belonging to other entities. Solely for convenience, trademarks and trade names referred to in this prospectus, including logos, artwork, and other visual displays, may appear without the ® or symbols, but such references are not intended to indicate that we or their respective owners will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any such companies.

Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced Management s Discussion and Analysis of Financial Condition and Results of Operations disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor s report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- not being required to hold a non-binding advisory vote on executive compensation or obtain stockholder approval of any golden parachute payments not previously approved.

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We may take advantage of these exemptions until December 31, 2019 or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than $1.07 billion in annual revenue, we have more than $700 million in market value of our stock held by non-affiliates or we issue more than $1 billion of non-convertible debt over a three-year period. We may choose to take advantage of some, but not all, of the available exemptions. We have taken advantage of certain reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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The Offering

Common stock offered by us	$50,000,000 of shares ($57,500,000 of shares in the event the underwriters elect to exercise in full their over-allotment option to purchase additional shares from us.)
Common stock to be outstanding after this offering	8,709,302 shares (9,721,448 shares in the event the underwriters elect to exercise in full their over-allotment option to purchase additional shares from us).
Option to purchase additional shares	The underwriters have the option to purchase from us up to $7,500,000 of additional shares of common stock. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We plan to use the net proceeds from this offering to complete our long term safety study of M207 for working capital and general corporate purposes. See Use of Proceeds on page 17 for additional information.
Risk factors	An investment in our common stock involves a high degree of risk. You should read the Risk Factors section beginning on page 12 and the similarly titled sections in the documents incorporated by reference for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Nasdaq Capital Market symbol	ZSAN

Outstanding Shares

The number of shares of our common stock to be outstanding after this offering set forth above is based on 1,961,664 shares of our common stock outstanding as of September 30, 2017.

The number of shares of common stock to be outstanding after this offering set forth above excludes:

- 195,906 shares of common stock issuable upon the exercise of Series B warrants at an exercise price of $31.00 outstanding as of September 30, 2017;
- 1,583 shares of common stock issuable upon the exercise of warrants at an exercise price of $176.80 and 2,035 shares of common stock issuable upon the exercise of warrants at an exercise price of $147.40 outstanding as of September 30, 2017;
- 109,708 shares of common stock issuable upon the exercise of stock options outstanding under our 2012 Stock Incentive Plan, our Amended and Restated 2014 Equity and Incentive Plan and in connection with inducement awards granted outside of the plans as of September 30, 2017, at a weighted average exercise price of $25.64 per share; and
- 38,214 shares of common stock available for future issuance under our Amended and Restated 2014 Equity and Incentive Plan as of September 30, 2017.

After September 30, 2017 and through January 26, 2018, 11,375 shares of common stock were issued to LPC pursuant to the terms of the LPC Purchase Agreement.

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Except as otherwise noted, all information in this prospectus:

- assumes no additional shares will be issued to LPC pursuant to the terms of the LPC Purchase Agreement;
- assumes no exercise of outstanding options or warrants described above;
- assumes no exercise by the underwriters of their over-allotment option; and
- gives effect to a 1-for-20 reverse split of our common stock which became effective on January 25, 2018.

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Summary Financial Data

We derived the consolidated statements of operations data presented below for the years ended December 31, 2016 and 2015 and the balance sheet data as of December 31, 2016 from our audited financial statements. The statement of operations data presented below for the nine months ended September 30, 2017 and 2016 and the balance sheet data as of September 30, 2017 have been derived from our unaudited interim consolidated financial statements. Our historical results are not necessarily indicative of the results that should be expected in the future. The following information should be read in conjunction with our consolidated financial statements and related notes incorporated by reference in this prospectus from our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.

The as adjusted balance sheet data as of September 30, 2017 reflects receipt of the estimated net proceeds from the sale of $50.0 million of shares of common stock at an assumed public offering price of $7.41 per share, the last reported sales price of our common stock on the Nasdaq Capital Market on January 26, 2018, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, as if our receipt of the estimated net proceeds from this offering had occurred as of September 30, 2017. The actual offering price per share will be as determined between us and the underwriters as the time of pricing. The as adjusted summary financial data are not necessarily indicative of what our financial position would have been if this offering had been completed as of the date indicated, nor are these data necessarily indicative of our financial position for any future date or period.

	Year Ended December 31,		Nine Months Ended September 30, (unaudited)	
	2016	2015	2017	2016
	(in thousands, except per share amounts)			
Consolidated Statements of Operations Data:				
Revenue:				
License fees revenue	$	$ 170	$	$
Collaborative development support services		143		
Total revenue		313		
Operating expenses:				
Research and development	20,457	20,366	14,672	15,044
General and administrative	8,176	6,315	6,346	6,137
Total operating expenses	28,633	26,681	21,018	21,181
Loss from operations	(28,633)	(26,368)	(21,018)	(21,181)
Other income (expense):				
Interest expense, net	(1,192)	(1,564)	(608)	(951)
Other income (expense), net	(7)	(97)	10	49
Warrant revaluation income		48		
Loss on debt extinguishment		(446)		
Net loss	(29,832)	(28,427)	(21,616)	(22,083)
Other comprehensive loss:				
Unrealized loss on marketable securities, net of tax effect		(46)		(1)
Comprehensive loss	$ (29,832)	$ (28,473)	$ (21,616)	$ (22,084)
Net loss per common share basic and diluted	$ (43.30)	$ (49.78)	$ (13.10)	$ (34.61)
Weighted-average shares used in computing net loss per common share basic and diluted	689	571	1,650	638

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	As of December 31, 2016 (in thousands)	As of September 30, 2017 (unaudited) (in thousands)	
	Actual	Actual	As Adjusted[1]
Selected Balance Sheet Data:			
Cash and cash equivalents	$ 15,003	$ 13,292	$ 59,152
Working capital	5,457	11,809	57,669
Total assets	20,906	25,879	71,739
Secured promissory note, net of issuance costs (including accrued interest)	12,542	8,177	8,177
Accumulated deficit	(196,769)	(218,385)	(218,385)
Total stockholders equity	4,485	14,233	60,089

(1) As adjusted to reflect the receipt of the estimated net proceeds of $45.9 million from the sale of $50.0 million of shares of common stock, at the assumed public offering price of $7.41 per share, the last reported sales price of our common stock on the Nasdaq Capital Market on January 26, 2018, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed public offering price of $7.41 per share, would increase (decrease) the as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders equity (deficit) by approximately $6.7 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The as adjusted data is illustrative only and will be adjusted based on the actual public offering price and other times of this offering determined at pricing.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. Before deciding whether to invest in our common stock, you should carefully consider the following risks and uncertainties, and those discussed under the Section captioned Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as amended, which is incorporated by reference in this prospectus, together with the information included in this prospectus and documents incorporated by reference herein, and in any free writing prospectus that we have authorized for use in connection with this offering. Any of the following risks could have a material adverse effect on our business, operating results, financial condition and prospects and cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment.

Risks Related to This Offering

Management will have broad discretion as to the use of proceeds from this offering and may invest or spend the proceeds in ways with which you do not agree and in ways that may not increase the value of your investment.

Our management will have broad discretion over the use of proceeds from this offering, including for any of the purposes described in the section of this prospectus entitled Use of Proceeds. You may not agree with our decisions, and our use of the proceeds may not yield any return on your investment. Our failure to apply the net proceeds from this offering effectively could compromise our ability to pursue our business strategy and we might not be able to yield a significant return, if any, on our investment of these net proceeds. In addition, the net proceeds from this offering may not be sufficient for our anticipated uses, and we may need additional resources to progress our product candidates to the stage we expect. You will not have the opportunity to influence our decisions on how to use our net proceeds from this offering.

If you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution in the net tangible book value of your shares.

If you purchase shares of our common stock in this offering, you will experience immediate and substantial dilution, as the public offering price of our common stock will be substantially greater than the net tangible book value per share of our common stock. Based on an assumed offering price of $7.41 per share, the last reported sales price of our common stock on the Nasdaq Capital Market on January 26, 2018, if you purchase our common stock in this offering, you will suffer immediate and substantial dilution of approximately $0.51 per share. In addition, if the underwriters exercise their over-allotment option, or if outstanding options and warrants to purchase our common stock are exercised, you will experience further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section entitled Dilution.

Any issuances of shares of common stock or securities convertible into or exercisable for shares of common stock, debt financing, entering into license and collaboration agreements, as well as the exercise of options and warrants outstanding, following this offering, will dilute your ownership interests and may adversely affect the future market price of our common stock.

The net proceeds from this offering and our existing cash and cash equivalents will not be sufficient to fund all of the efforts that we plan to undertake or to fund completion of clinical development of any of our product candidates. Accordingly, unless and until we generate revenues and become profitable, we will need to raise additional capital to continue to operate our business, including after the consummation of this offering. We expect to finance our cash needs through a combination of equity offerings, debt financing and license and collaboration agreements. The issuance of additional shares of our common stock could be dilutive to shareholders if they do not invest in future offerings, and our participation in a debt financing or license or collaboration agreement will also be dilutive to shareholders.

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In addition, we have a significant number of options and warrants to purchase shares of our common stock outstanding. If these securities are exercised, you may incur further dilution. Moreover, to the extent that we issue additional options or warrants to purchase, or securities convertible into or exchangeable for, shares of our common stock in the future and those options, warrants or other securities are exercised, converted or exchanged, shareholders may experience further dilution.

A significant portion of our total outstanding shares are eligible to be sold into the market, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of our common stock stockholders intend to sell shares, could cause the market price of our common stock to decline significantly.

Upon completion of this offering, based on our shares outstanding as of September 30, 2017 and after giving effect to the 1-for-20 reverse split of our common stock which became effective on January 25, 2018, we will have 8,709,302 shares of common stock outstanding based on the issuance and sale of $50.0 million of shares of our common stock in this offering based on an assumed public offering price of $7.41 per share, the last reported sales price of our common stock on the Nasdaq Capital Market on January 26, 2018. Of these shares, only 17,078 are subject to a contractual lock-up with the underwriters for this offering for a period of 90 days following this offering. The balance of our outstanding shares of common stock, including any shares purchased in this offering, may be resold into the public market immediately without restriction, unless owned or purchased by our affiliates.

In addition, as of September 30, 2017 and after giving effect to the 1-for-20 reverse split of our common stock which became effective on January 25, 2018, we had outstanding stock options to purchase an aggregate of 109,708 shares of our common stock under our equity incentive plans and in connection with inducement awards granted outside of the plans, and the issuance of all of these shares is or will soon be registered under the Securities Act of 1933, as amended, or the Securities Act, on a registration statement on Form S-8. These shares when registered on Form S-8, once vested and issued upon exercise, will be able to be freely sold in the public market, subject to the volume limits of Rule 144 under the Securities Act in the case of our affiliates and the lock-up agreements described above, to the extent applicable. In addition, as of September 30, 2017 and after giving effect to the 1-for-20 reverse split of our common stock which became effective on January 25, 2018, we had outstanding warrants to purchase an aggregate of 199,524 shares of our common stock and the re-sale of 197,941 of these shares is registered under the Securities Act of 1933, as amended, or the Securities Act, on a registration statement on Form S-3. These shares registered on Form S-3, once issued upon exercise of the warrants, will be able to be freely sold in the public market, subject to the lock-up agreements described above, to the extent applicable. After September 30, 2017 and through January 26, 2018, 11,375 shares of common stock were issued to LPC pursuant to the terms of the LPC Purchase Agreement. During the term of the LPC Purchase Agreement the Company may sell and issue up to $35.0 million worth of shares of common stock, subject to certain conditions and limitations.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and all the documents incorporated by reference herein contain forward-looking statements. All statements, other than statements of historical facts, included in this prospectus or the documents incorporated herein by reference regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as may, could, should, would, intend, will, anticipate, believe, estimate, continue, plan, potential predict, project or the negative of those terms or similar words. Any statemen herein that are not statements of historical facts may be deemed to be forward-looking statements. You should read these statements carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial condition or state other forward-looking information. These forward-looking statements include, among other things, statements about:

- the anticipated timing, costs and conduct of our long term safety study for our candidate M207, including the timing for enrollment and results;
- our expectations regarding the clinical effectiveness of our product candidates;
- the ability to obtain and maintain regulatory approval of our product candidates, the timing for regulatory filings and the labeling for any approved products;
- our manufacturing capabilities and strategy;
- our expectations regarding our expenses and revenue, the sufficiency of our cash resources and needs for additional financing;
- our intellectual property position and our ability to obtain and maintain intellectual property protection for our product candidates;
- our expectations regarding competition;
- the anticipated trends and challenges in our business and the markets in which we operate;
- the scope, progress, expansion, and costs of developing and commercializing our product candidates;
- the size and growth of the potential markets for our product candidates and the ability to serve those markets;
- the rate and degree of market acceptance of any of our product candidates;
- our ability to establish and maintain development partnerships;

our ability to attract or retain key personnel;

our expectations regarding federal, state and foreign regulatory requirements; and

regulatory developments in the United States and foreign countries.

These forward-looking statements reflect our management s beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this prospectus and are subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this prospectus, particularly in the Risk Factors section, that could

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cause actual results or events to differ materially from the forward-looking statements that we make. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make.

You should read this prospectus and the documents that we incorporate by reference herein completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations, market position, market opportunity and market size, is based on information from various sources, including independent industry publications and market surveys by third parties privately commissioned by us that we believe to be reliable. In presenting this information, we have also made assumptions that we believe to be reasonable based on such data and other similar sources and on our knowledge of, and our experience to date in, the markets for our product candidates. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors and elsewhere in this prospectus and the documents that we incorporate by reference herein. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us. See Cautionary Note Regarding Forward-Looking Statements .

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USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of $50.0 million of shares of our common stock in this offering will be approximately $45.9 million, or approximately $52.8 million if the underwriters exercise their over-allotment option in full, based on an assumed public offering price of $7.41 per share, the last reported sales price at our common stock on the Nasdaq Capital Market on January 26, 2018, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The actual offering price per share will be as determined between us and the underwriters at the time of pricing.

We plan to use the net proceeds from this offering to complete the long term safety study of M207, and for working capital and general corporate purposes.

Our planned use of the net proceeds from this offering represents our current intentions based upon our present plans and business condition. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering or the amounts that we will actually spend on the uses set forth above. Due to the many variables that are inherent in the development of our lead product candidate at this time, such as the timing and results of long term safety study and the timing of regulatory submissions and evolving regulatory requirements, the amount and timing of our actual expenditures will depend upon such variables and we cannot currently predict the stage of development we expect the net proceeds of this offering to achieve for our long term safety study and lead product candidate.

As a result, we will have broad discretion over the use of the net proceeds from this offering, and investors will be relying on our judgment regarding the application of the net proceeds of this offering. In addition, we might decide to postpone or not pursue certain clinical trials or preclinical activities if the net proceeds from this offering and the other sources of cash are less than expected.

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MARKET PRICE OF OUR COMMON STOCK

Our common stock has been listed on the Nasdaq Capital Market under the symbol ZSAN since January 27, 2015. Prior to that date, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low intraday sales prices of our common stock as reported by the Nasdaq Capital Market:

	High	Low
2018		
First Quarter (through January 26, 2018)	$ 12.20	$ 7.00

	High	Low
2017		
First Quarter	$ 70.80	$ 15.60
Second Quarter	$ 38.60	$ 24.00
Third Quarter	$ 28.20	$ 15.20
Fourth Quarter	$ 25.80	$ 10.00

	High	Low
2016		
First Quarter	$ 56.60	$ 39.00
Second Quarter	$ 49.80	$ 20.60
Third Quarter	$ 40.00	$ 13.20
Fourth Quarter	$ 23.40	$ 9.00

	High	Low
2015		
First Quarter (from January 27, 2015)	$ 248.00	$ 160.00
Second Quarter	$ 219.80	$ 140.20
Third Quarter	$ 200.00	$ 68.60
Fourth Quarter	$ 80.00	$ 40.80

On January 26, 2018, the closing price of our common stock as reported on the Nasdaq Capital Market was $7.41 per share. As of December 12, 2017, we had 27 holders of record of our common stock. The prices reported above have been updated to reflect the application of our 1-for-20 reverse split which became effective on January 25, 2018.

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DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently expect to retain all available funds and future earnings, if any, to finance the growth and development of our business. We do not expect to pay any cash dividends on our common stock in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in any future financing instruments, provisions of applicable law and other factors the Board deems relevant. Additionally, our secured term loan facility with Hercules, contains covenants that restrict our ability to pay dividends.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2017 on:

- An actual basis;
- A pro forma basis, giving effect to the 1-for-20 reverse split of our common stock which became effective on January 25, 2018 and the increase in our authorized shares of common stock from 100,000,000 shares to 250,000,000 shares; and
- A pro forma as adjusted basis, giving effect to the sale of $50.0 million of shares of our common stock offered in this offering, assuming a public offering price of $7.41 per share, the last reported sales price for our common stock on the Nasdaq Capital Market on January 26, 2018, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The as adjusted information below is illustrative only and our capitalization following the closing of this offering will be adjusted based on the actual public offering price and other terms of this offering determined at pricing. You should read the following table in conjunction with our consolidated financial statements, including the related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operations from our Annual Report on Form 10-K for year ended December 31, 2016, as amended, which are incorporated by reference into this prospectus.

	As of September 30, 2017 (unaudited)		
	Actual	Pro Forma	Pro Forma as Adjusted
Cash and cash equivalents	$ 13,292,411	$ 13,292,411	$ 59,152,411
Secured promissory note, net of issuance costs (including accrued interest)	$ 8,177,085	8,177,085	8,177,085
Stockholders equity (deficit):			
Preferred stock, $0.0001 par value, 5,000,000 shares authorized and none issued and outstanding, actual, pro forma and pro forma as adjusted			
Common stock, $0.0001 par value; 100,000,000 shares authorized and 39,233,431 shares issued and outstanding, actual; 250,000,000 shares authorized and 1,961,664 shares issued and outstanding, pro forma; and 250,000,000 shares authorized and 8,709,302 shares issued and outstanding, pro forma as adjusted	3,922	196	871
Additional paid-in capital	232,613,635	232,613,635	278,472,960
Accumulated deficit	(218,384,895)	(218,384,895)	(218,384,895)
Total stockholders equity (deficit)	14,232,599	14,228,873	60,088,873
Total capitalization	$ 22,409,684	22,405,958	68,265,958

The foregoing table and calculations are based on 1,961,664 shares of our common stock outstanding as of September 30, 2017, and excludes:

- 195,906 shares of common stock issuable upon the exercise of Series B warrants at an exercise price of $31.00 outstanding as of September 30, 2017;

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1,583 shares of common stock issuable upon the exercise of warrants at an exercise price of $176.80 and 2,035 shares of common stock issuable upon the exercise of warrants at an exercise price of $147.40 outstanding as of September 30, 2017;

109,708 shares of common stock issuable upon the exercise of stock options outstanding under our 2012 Stock Incentive Plan, our Amended and Restated 2014 Equity and Incentive Plan and in connection with inducement awards granted outside of the plans as of September 30, 2017, at a weighted average exercise price of $25.64 per share; and

38,214 shares of common stock available for future issuance under our Amended and Restated 2014 Equity and Incentive Plan as of September 30, 2017.

After December 31, 2016 and through January 26, 2018, 11,375 shares of common stock were issued to LPC pursuant to the terms of the LPC Purchase Agreement.

Unless otherwise indicated, the disclosure above gives effect to the 1-for-20 reverse split of our common stock which became effective on January 25, 2018.

A $1.00 increase (decrease) in the assumed public offering price of $7.41 per share, would increase (decrease) the as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders equity (deficit) by approximately $6.7 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The as adjusted data is illustrative only and will be adjusted based on the actual public offering price and other times of this offering determined at pricing.

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DILUTION

If you invest in our common stock, your equity interest in our company will be diluted immediately to the extent of the difference between the public offering price per share you will pay in this offering and the as adjusted net tangible book value (deficit) per share of our common stock after this offering.

Our historical net tangible book value (deficit) as of September 30, 2017 was $14.2 million, or $7.26 per share of common stock. Our historical net tangible book value (deficit) per share set forth below represents our total assets, excluding intangible assets, less our total liabilities, divided by the number of shares of our common stock outstanding on September 30, 2017.

After giving effect to the sale of $50.0 million of shares of common stock in this offering at an assumed public offering price of $7.41 per share, the last reported sales price of our common stock on the Nasdaq Capital Market on January 26, 2018, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value (deficit) as of September 30, 2017 would have been $60.1 million, or $6.90 per s