

TITAN PHARMACEUTICALS INC  
Form DEF 14A  
April 03, 2008

## **SCHEDULE 14A**

**(Rule 14a-101)**

### **INFORMATION REQUIRED IN PROXY STATEMENT**

#### **SCHEDULE 14A INFORMATION**

#### **Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

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 Section 240.14a-12

**Titan Pharmaceuticals, Inc.**

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required.

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(4) Proposed maximum aggregate value of transaction:

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(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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**TITAN PHARMACEUTICALS, INC.**

400 Oyster Point Boulevard

Suite 505

South San Francisco, California 94080

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held May 16, 2008**

To the Stockholders of

Titan Pharmaceuticals, Inc.

Notice is hereby given that the Annual Meeting of the Stockholders of Titan Pharmaceuticals, Inc. (the Company) will be held on May 16, 2008 at 9:00 a.m. local time at the offices of the Company, 400 Oyster Point Boulevard, Suite 505, South San Francisco, California 94080. The meeting is called for the following purpose:

1. To elect a board of ten directors;
2. To approve an amendment to our Certificate of Incorporation to increase the number of authorized shares of common stock from 75,000,000 to 125,000,000;
3. To approve the appointment of Odenberg, Ullakko, Muranishi & Co. LLP as the independent auditors of the Company for the fiscal year ending December 31, 2008; and
4. To consider and take action upon such other matters as may properly come before the meeting or any adjournment or adjournments thereof.

The close of business on April 2, 2008 has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting. The stock transfer books of the Company will not be closed. A list of the stockholders entitled to vote at the meeting may be examined at the Company's offices during the 10-day period preceding the meeting.

All stockholders are cordially invited to attend the meeting. Whether or not you expect to attend, you are respectfully requested by the Board of Directors to sign, date and return the enclosed proxy promptly. Stockholders who execute proxies retain the right to revoke them at any time prior to the voting thereof. A return envelope which requires no postage if mailed in the United States is enclosed for your convenience.

By Order of the Board of Directors,

Marc Rubin, M.D.

President and Chief Executive Officer

Dated: April 3, 2008

**TITAN PHARMACEUTICALS, INC.**

400 Oyster Point Boulevard

Suite 505

South San Francisco, California 94080

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Titan Pharmaceuticals, Inc. (the Company, Titan, we, us, or our ) for the Annual Meeting of Stockholders to be held at the offices of the Company, 400 Oyster Point Boulevard, Suite 505, South San Francisco, California 94080 on May 16, 2008, at 9:00 a.m. and for any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Any stockholder giving such a proxy has the power to revoke it at any time before it is voted. Written notice of such revocation should be forwarded directly to the Secretary of the Company, at the above stated address.

If the enclosed proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the directions thereon and otherwise in accordance with the judgment of the persons designated as proxies. Any proxy on which no direction is specified will be voted in favor of the actions described in this Proxy Statement and for the election of the nominees set forth under the caption Election of Directors.

The approximate date on which this Proxy Statement and the accompanying form of proxy will first be mailed or given to the Company's stockholders is April 11, 2008.

Your vote is important. Accordingly, you are urged to sign and return the accompanying proxy card whether or not you plan to attend the meeting. If you do attend, you may vote by ballot at the meeting and cancel any proxy previously given.

**VOTING SECURITIES**

Only holders of shares of common stock, \$.001 par value per share (the Shares ), of record at the close of business on April 2, 2008 are entitled to vote at the meeting. On the record date, the Company had outstanding and entitled to vote 58,281,460 Shares. For purposes of voting at the meeting, each Share is entitled to one vote upon all matters to be acted upon at the meeting. A majority in interest of the outstanding Shares represented at the meeting in person or by proxy shall constitute a quorum. The affirmative vote of a plurality of the votes present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors is required for the election of our directors. The affirmative vote of a majority of our outstanding shares is required to approve the amendment to our certificate of incorporation to increase the number of our authorized shares to 125,000,000. The affirmative vote of a majority of the votes present in person or represented by proxy at the Annual Meeting and entitled to vote is required to ratify the appointment of Odenberg, Ullakko, Muranishi & Co. LLP, independent certified public accountants, as our independent auditors. Any Shares not voted (whether by abstention, broker non-vote or otherwise) will have no impact on the election of directors, except to the extent that the failure to vote for any individual may result in another individual's receiving a larger proportion of votes. Any shares not voted will have the same effect as a vote against the proposal to amend our certificate of incorporation. Except for determining the presence or absence of a quorum for the transaction of business, broker non-votes will not be counted for purposes of the ratification of our independent auditors.

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

At the meeting, ten directors will be elected by the stockholders to serve until the next Annual Meeting of Stockholders or until their successors are elected and shall qualify. It is intended that the accompanying proxy will be voted for the election, as directors, of the ten persons named below, unless the proxy contains contrary instructions. The Company has no reason to believe that any of the nominees will not be a candidate or will be unable to serve. However, in the event that any of the nominees should become unable or unwilling to serve as a director, the persons named in the proxy have advised that they will vote for the election of such person or persons as shall be designated by the directors.

The following sets forth the names and ages of the ten nominees for election to the Board of Directors, their respective principal occupations or brief employment history and the period during which each has served as a director of the Company.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
Victor J. Bauer, Ph.D.	72	November 1997
Sunil Bhonsle	58	February 2004
Louis R. Bucalo, M.D. (1)	49	March 1993
Eurelio M. Cavalier (1)(3)(4)	75	September 1998
Hubert E. Huckel, M.D. (1)(2)(3)	76	October 1995
Joachim Friedrich Kapp, M.D., Ph.D.	65	August 2005
M. David MacFarlane, Ph.D. (2)(4)	67	May 2002
Marc Rubin, M.D.	53	November 2007
Ley S. Smith (1)(2)(4)	73	July 2000
Konrad M. Weis, Ph.D. (1)(3)	79	March 1993

- (1) Member of Executive Committee
- (2) Member of Audit Committee
- (3) Member of Compensation Committee
- (4) Member of Nominating Committee

**Victor J. Bauer, Ph.D.** has served on our Board of Directors since November 1997. Dr. Bauer serves as the Executive Vice President of Concordia Pharmaceuticals, Inc., a biopharmaceutical company he co-founded in January 2004. From February 1997 through March 2003, Dr. Bauer was employed by Titan, most recently as our Executive Director of Corporate Development. From April 1996 until its merger into Titan, Dr. Bauer also served as a director and Chairman of Theracell. From December 1992 until February 1997, Dr. Bauer was a self-employed consultant to companies in the pharmaceutical and biotechnology industries. Prior to that time, Dr. Bauer was with Hoechst-Roussel Pharmaceuticals Inc., where he served as President from 1988 through 1992.

**Sunil Bhonsle** has served as our Executive Vice President and Chief Operating Officer since September 1995, and as a director of Titan since February 2004. Mr. Bhonsle served in various positions, including Vice President and General Manager Plasma Supply and Manager Inventory and Technical Planning, at Bayer Corporation from July 1975 until April 1995. Mr. Bhonsle holds an M.B.A. from the University of California at Berkeley and a B.Tech. in chemical engineering from the Indian Institute of Technology.

**Louis R. Bucalo, M.D.** is the founder of Titan and served as our President and Chief Executive Officer from January 1993 until October 2007 when he assumed the role of Executive Chairman. Dr. Bucalo has served as a director of Titan since March 1993 and was elected Chairman of the Board of Directors in January 2000. From July 1990 to April 1992, Dr. Bucalo was Associate Director of Clinical Research at Genentech, Inc., a biotechnology company. Dr. Bucalo holds an M.D. from Stanford University and a B.A. in biochemistry from Harvard University.

**Euclio M. Cavalier** has served on our Board of Directors since September 1998. He was employed in various capacities by Eli Lilly & Co. from 1958 until his retirement in 1994, serving as Vice President Sales from 1976 to 1982 and Group Vice President U.S. Pharmaceutical Business Unit from 1982 to 1993.

**Hubert E. Huckel, M.D.** has served on our Board of Directors since October 1995. He served in various positions with The Hoechst Group from 1964 until his retirement in December 1992. At the time of his retirement, Dr. Huckel was Chairman of the Board of Hoechst-Roussel Pharmaceuticals, Inc., Chairman and President of Hoechst-Roussel Agri-Vet Company and a member of the Executive Committee of Hoechst Celanese Corporation. He currently serves on the Board of Directors of ThermoGenesis Corp., Catalyst Pharmaceuticals, Inc. and Concordia Pharmaceuticals, Inc. He is a member of the compensation committee of ThermoGenesis Corp.

**Joachim Friedrich Kapp, M.D., Ph.D.** has served on our Board of Directors since August 2005. Dr. Kapp has worked in various capacities for Schering AG since 1975, from 1991 on as President of the Global Business Unit, Specialized Therapeutics. Dr. Kapp worked in various capacities with Warner Lambert and its subsidiaries between 1984 and 1990. Dr. Kapp holds an M.D. and a Ph.D. from The University of Essen, Germany.

**M. David MacFarlane, Ph.D.** has served on the Board of Directors since May 2002. From 1989 until his retirement in August 1999, Dr. MacFarlane served as Vice President and Responsible Head of Regulatory Affairs of Genentech, Inc. Prior to joining Genentech, Inc., he served in various positions with Glaxo Inc., last as Vice President of Regulatory Affairs.

**Marc Rubin, M.D.** has served as our President and Chief Executive since October 2007 and as a director since November 2007. Until February 2007, Dr. Rubin served as Head of Global Research and Development for Bayer Schering Pharma, as well as a member of the Executive Committee of Bayer Healthcare and the Board of Management of Bayer Schering Pharma. Prior to the merger of Bayer Pharmaceuticals and Schering AG in June 2006, Dr. Rubin was a member of the Executive Board of Schering AG since joining such company in October 2003, as well as Chairman of Schering Berlin Inc. and President of Berlex Pharmaceuticals, a division of Schering AG. From 1990 until August 2003, Dr. Rubin was employed by GlaxoSmithKline where he held positions of responsibility in global clinical and commercial development overseeing programs in the United States, Europe, Asia and Latin America. From 2001 through 2003, he was Senior Vice President of Global Clinical Pharmacology & Discovery Medicine. Dr. Rubin holds an M.D. from Cornell University Medical College. Dr. Rubin currently serves on the Board of Directors of Medarex, Inc.

**Ley S. Smith** has served on our Board of Directors since July 2000. He served in various positions with The Upjohn Company and Pharmacia & Upjohn from 1958 until his retirement in November 1997. From 1991 to 1993 he served as Vice Chairman of the Board of The Upjohn Company, and from 1993 to 1995 he was President and Chief Operating Officer of The Upjohn Company. At the time of his retirement, Mr. Smith was Executive Vice President of Pharmacia & Upjohn, and President of Pharmacia & Upjohn's U.S. Pharma Product Center.

**Konrad M. Weis, Ph.D.** has served on our Board of Directors since March 1993. He is the former President, Chief Executive Officer and Honorary Chairman of Bayer Corporation. Since 1995, Dr. Weis has been serving as a director and member of the Investment Committee of The Heinz Endowment in Pittsburgh. Since 2004, he has been serving as Emeritus Life Trustee of Carnegie-Mellon University and its Executive Committee, and of the Carnegie Museums of Pittsburgh.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE ABOVE NOMINEES.

**EXECUTIVE OFFICERS**

The following sets forth the names and ages of our executive officers, their respective positions and offices, and their respective principal occupations or brief employment history.

Name	Age	Office
Marc Rubin, M.D.	53	President and Chief Executive Officer
Louis R. Bucalo, M.D.	49	Executive Chairman
Sunil Bhonsle	58	Executive Vice President, Chief Operating Officer and Director
Robert E. Farrell, J.D.	58	Executive Vice President and Chief Financial Officer

**Marc Rubin, M.D.** see biographical information set forth above under Election of Directors.

**Louis R. Bucalo, M.D.** see biographical information set forth above under Election of Directors.

**Sunil Bhonsle** see biographical information set forth above under Election of Directors.

**Robert E. Farrell, J.D.** has served as our Executive Vice President and Chief Financial Officer since September 1996. Mr. Farrell was employed by Fresenius USA, Inc. from 1991 until August 1996 where he served in various capacities, including Vice President Administration, Chief Financial Officer and General Counsel. His last position was Corporate Group Vice President. Mr. Farrell holds a B.A. from the University of Notre Dame and a J.D. from Hastings College of Law, University of California.

**The Board and Board Committees**

**Board Committees**

*Board of Directors.* The Board of Directors met six times during 2007. Each director is expected to attend meetings of our Board of Directors and meetings of committees of our Board of Directors of which he is a member, and to spend the time necessary to properly discharge his respective duties and responsibilities. During 2007, each incumbent director, except Dr. Kapp, attended at least 75% of the total number of meetings of our Board of Directors and meetings of committees of our Board of Directors of which he was a member. Dr. Kapp attended four of the six meetings of our Board of Directors during 2007. We do not have a policy with regard to Board members' attendance at annual meetings of stockholders. Dr. Bucalo and Mr. Bhonsle attended the Company's previous annual meeting.

The following members of our Board of Directors meet the independence requirements and standards currently established by the American Stock Exchange: Victor J. Bauer, Eurelio M. Cavalier, Hubert E. Huckel, Joachim Friedrich Kapp, M. David MacFarlane, Ley S. Smith and Konrad M. Weis.

The Board of Directors has an Executive Committee, a Compensation Committee, a Nominating Committee and an Audit Committee.

*Executive Committee.* The Executive Committee exercises all the power and authority of the Board of Directors in the management of Titan between Board meetings, to the extent permitted by law. The Executive Committee consists of five directors, Louis R. Bucalo, Eurelio M. Cavalier, Hubert E. Huckel, Ley S. Smith and Konrad M. Weis. The Executive Committee met one time during 2007.

*Compensation Committee.* The Compensation Committee makes recommendations to the Board of Directors concerning salaries and incentive compensation for our officers, including our Chief Executive Officer, and employees and administers our stock option plans. The Compensation Committee consists of three directors, Eurelio M. Cavalier, Hubert E. Huckel and Konrad M. Weis, each of whom meets the independence requirements and standards currently established by the American Stock Exchange. During 2007, the Compensation Committee met six times. Please see the description of our compensation practices and procedures on page 7 of this proxy statement.



*Nominating Committee.* The purpose of the Nominating Committee is to assist the Board of Directors in identifying qualified individuals to become board members, in determining the composition of the Board of Directors and in monitoring the process to assess Board effectiveness. The Nominating Committee consists of three directors, Eurelio M. Cavalier, M. David MacFarlane and Ley S. Smith, each of whom meets the independence requirements and standards currently established by the American Stock Exchange. The Nominating Committee did not meet during 2007 but took action by unanimous consent one time. The Nominating Committee operates under a written charter, a copy of which is attached to this proxy statement. Although it has not done so in the past, the Nominating Committee may retain search firms to assist in identifying suitable director candidates.

The Nominating Committee will consider director candidates recommended by security holders. Potential nominees to the Board of Directors are required to have such experience in business or financial matters as would make such nominee an asset to the Board of Directors and may, under certain circumstances, be required to be independent, as such term is defined in the American Stock Exchange Rules and applicable Securities and Exchange Commission (SEC) regulations. Security holders wishing to submit the name of a person as a potential nominee to the Board of Directors must send the name, address, and a brief (no more than 500 words) biographical description of such potential nominee to the Nominating Committee at the following address: Nominating Committee of the Board of Directors, c/o Titan Pharmaceuticals, Inc., 400 Oyster Point Boulevard, Suite 505, South San Francisco, California 94080. Potential director nominees will be evaluated by personal interview, such interview to be conducted by one or more members of the Nominating Committee, and/or any other method the Nominating Committee deems appropriate, which may, but need not include a questionnaire. The Nominating Committee may solicit or receive information concerning potential nominees from any source it deems appropriate. The Nominating Committee need not engage in an evaluation process unless (i) there is a vacancy on the Board of Directors, (ii) a director is not standing for re-election, or (iii) the Nominating Committee does not intend to recommend the nomination of a sitting director for re-election. A potential director nominee recommended by a security holder will not be evaluated any differently than any other potential nominee.

*Audit Committee.* The Audit Committee (which is formed in compliance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, or the Exchange Act) consists of three directors, Ley S. Smith, M. David MacFarlane and Hubert E. Huckel, each of whom meets the independence requirements and standards currently established by the American Stock Exchange and the SEC. In addition, the Board of Directors has determined that Mr. Smith is an audit committee financial expert and independent as defined under the relevant rules of the SEC and the American Stock Exchange. The Audit Committee assists the Board by overseeing the performance of the independent auditors and the quality and integrity of Titan's internal accounting, auditing and financial reporting practices. The Audit Committee is responsible for retaining (subject to stockholder ratification) and, as necessary, terminating, the independent auditors, annually reviewing the qualifications, performance and independence of the independent auditors and the audit plan, fees and audit results, and pre-approving audit and non-audit services to be performed by the auditors and related fees. The Audit Committee operates under a written charter, a copy of which is attached to this proxy statement. During 2007, the Audit Committee met four times.

#### **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics (the Code) that applies to our directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial and accounting officer, respectively). The Code was filed as Exhibit 14 to our annual report on Form 10-K for the year ended December 31, 2003 and has been incorporated by reference into this proxy statement. A written copy of the Code will be provided upon request at no charge by writing to our Chief Financial Officer, Titan Pharmaceuticals, Inc., 400 Oyster Point Boulevard, Suite 505, South San Francisco, California 94080.

**Changes in Director Nomination Process for Stockholders**

None.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Such executive officers, directors, and greater than 10% beneficial owners are required by SEC regulation to furnish us with copies of all Section 16(a) forms filed by such reporting persons.

Based solely on our review of such forms furnished to us and written representations from certain reporting persons, we believe that all filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were complied with during 2007.

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## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

This compensation discussion describes the material elements of compensation awarded to, earned by, or paid to each of our executive officers who served as named executive officers during the last completed fiscal year. This compensation discussion focuses on the information contained in the following tables and related footnotes and narrative for primarily the last completed fiscal year, but we also describe compensation actions taken before or after the last completed fiscal year to the extent it enhances the understanding of our executive compensation disclosure.

Our Compensation Committee currently oversees the design and administration of our executive compensation program.

The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives in the form of stock options, other benefits and perquisites, post-termination severance and acceleration of stock option vesting for certain named executive officers upon termination and/or a change in control. Our other benefits and perquisites consist of life, health and disability insurance benefits, and a qualified 401(k) savings plan. Our philosophy is to position the aggregate of these elements at a level that is competitive within the industry and commensurate with our size and performance.

During 2007, our board of directors at the initiation of our then Chairman, President and Chief Executive Officer, Louis R. Bucalo, MD, discussed the possibility of expanding our management team with a senior executive with expertise in product registration and commercialization who could assist us in growing our company and achieving future strategic objectives as our products advanced in late stage development and approached potential commercialization. Dr. Bucalo led the recruitment effort and subsequently identified Marc Rubin as a strong candidate. Our board of directors agreed that Dr. Rubin's extensive pharmaceutical industry experience in product development and commercialization would enhance Titan's capabilities and concurred that it was in the company's best interests that he be retained as President and Chief Executive Officer. The board also concurred that it was important that Dr. Bucalo retain the role of Executive Chairman to enable a smooth transition, as well as to continue to play an integral role in the development and implementation of our strategic goals. Accordingly, effective October 1, 2007, Dr. Rubin joined us in his current position and Dr. Bucalo assumed the role of Executive Chairman.

The compensation package for Dr. Rubin was determined based on a review of CEO compensation information provided in the Radford Biotechnology Survey. In addition, we engaged Compensation Resources, a consulting firm, to provide information on current CEO compensation packages for similar companies. In connection with its review of Dr. Rubin's proposed compensation package, our Compensation Committee retained ExeQuity LLP, a consulting firm specializing in executive compensation, which concurred that the proposed compensation was appropriate and within the mid-range for similarly situated executives.

The revised compensation package for Dr. Bucalo was determined by the Compensation Committee after consultation with ExeQuity LLP. Among the factors considered by the Compensation Committee were the terms of Dr. Bucalo's existing employment agreement with Titan, the active role he would continue to play with respect to specific strategic initiatives and financing efforts and the need to provide continuity of management. The consultant and the Compensation Committee specifically recognized Dr. Bucalo's role as our founder and President and Chief Executive Officer since inception. The compensation packages for both Dr. Bucalo and Dr. Rubin were approved by the Board of Directors.

With respect to the remaining named executive officers, the Compensation Committee reviewed the results provided by the Radford Biotechnology Survey, as well as the cost of living provisions contained in our current agreements with these executives. It also reviewed the severance and death benefit provisions contained in existing agreements and made a determination that adjustments needed to be made in order to update those provisions to be similar to those contained in other recent agreements.

### **Compensation Program Objectives and Philosophy**

*In General.* The objectives of our compensation programs are to:

attract, motivate and retain talented and dedicated executive officers,

provide our executive officers with both cash and equity incentives to further our interests and those of our stockholders, and

provide employees with long-term incentives so we can retain them and provide stability during our growth stage.

Generally, the compensation of our executive officers is composed of a base salary, an annual incentive compensation award and equity awards in the form of stock options based on individual and company performance. In adjusting base salaries, the Compensation Committee reviews the individual contributions of the particular executive. The annual incentive compensation award is a discretionary award determined by the Compensation Committee based on company performance. In addition, stock options are granted to provide the opportunity for long-term compensation based upon the performance of our common stock over time.

*Competitive Market.* We define our competitive markets for executive talent to be the pharmaceutical and biotechnology industries in northern California and New Jersey. To date, we have utilized the Radford Biotechnology Surveys, a third party market specific compensation survey, and, when applicable, other independent third-party compensation consultants to benchmark our executive compensation.

*Compensation Process.* The Compensation Committee reviews and approves all elements of compensation for each of our named executive officers taking into consideration recommendations from our principal executive officer (for compensation other than his own), as well as competitive market guidance from the Radford Biotechnology Surveys and, when applicable, other independent third-party compensation consultants.

### **Base Salaries**

*In General.* We provide the opportunity for our named executive officers and other executives to earn a competitive annual base salary to attract and retain an appropriate caliber of talent for the applicable position, and to provide a base wage that is not subject to our performance risk. We review base salaries for our named executive officers annually and cost of living increases and other changes are based on compensation surveys, the Company's performance and individual performance, such as meeting product development and corporate objectives. The salary of our principal executive officer and the salaries of our named executive officers are set by the Compensation Committee.

*Total Compensation Comparison.* Base salaries accounted for approximately 40% of total compensation for the principal executive officer and approximately 67% on average for our other named executive officers.

### **Annual Cash Incentives**

*In General.* We provide the opportunity for our named executive officers and other executives to earn an annual cash incentive award. We provide this opportunity to attract and retain an appropriate caliber of talent for the position and to motivate executives to achieve our annual business goals. We review potential annual cash incentive awards for our named executive officers and other executives annually to determine award payments, if any, for the last completed fiscal year, as well as to establish award opportunities for the current fiscal year. We do not have a formal annual incentive plan and payment of annual cash incentive awards are subject to the discretion of the Compensation Committee.

*Target Award Opportunities.* Our 2007 cash incentive awards were subject to the Compensation Committee's discretion and took into account corporate performance measures, including, but not limited to,

product development milestones and results of operations. There are annual target award opportunities expressed as a percentage of base salary paid during the fiscal year as specified in the employment agreements. For the last completed fiscal year, annual cash incentive opportunities for the named executive officers are summarized below. There were no cash bonuses paid to our named executive officers during or related to 2007.

		Annual Cash Incentive Award Opportunity		
		Target Performance		
		% Salary	Amount	Amount Paid
Marc Rubin, M.D. (1)	FY 2007	50%	\$ 51,875	\$
Louis R. Bucalo, M.D (2)	FY 2007		\$	\$
Sunil Bhonsle	FY 2007	20%	\$ 59,580	\$
Robert E. Farrell, J.D.	FY 2007	20%	\$ 49,740	\$

(1) Dr. Rubin's target bonus has been prorated to reflect his October 1, 2007 employment start date.

(2) Dr. Bucalo's target bonus is determined at the discretion of the Board of Directors.

**Individual Performance Goals.** The performance goals for the executives are aligned with the objectives for the Company and seek to advance our product development goals. The Compensation Committee takes into account individual and Company performance in determining awards.

**Discretionary Adjustments.** Incentive awards are subject to the Compensation Committee's discretion. We may make adjustments to our overall corporate performance goals and our actual performance results that may cause differences between the numbers used for our performance goals and the numbers reported in our financial statements. These adjustments may exclude all or a portion of both the positive or negative effect of external events that are outside the control of our executives, such as natural disasters, litigation, or regulatory changes in accounting or taxation standards. These adjustments may also exclude all or a portion of both the positive or negative effect of unusual or significant strategic events that are within the control of our executives but that are undertaken with an expectation of improving our long-term financial performance, such as restructurings, acquisitions, or divestitures.

**Total Compensation Comparison.** For the last completed fiscal year, cash incentive awards accounted for none of the total compensation for the principal executive officer and our other named executive officers.

### Long-term Equity Incentives

We provide the opportunity for our named executive officers and other executives to earn a long-term equity incentive award. Long-term incentive awards provide employees with the incentive to stay with us for longer periods of time, which in turn, provides us with greater stability. Equity awards also are less costly to us in the short term than cash compensation. We review long-term equity incentives for our named executive officers and other executives annually.

For our named executive officers, our stock option grants are of a size and term determined and approved by the Compensation Committee in consideration of the range of grants in the Radford Survey, with the exception of Dr. Rubin's initial grant upon joining us, which was determined as noted above. We have traditionally used stock options as our form of equity compensation because stock options provide a relatively straightforward incentive for our executives, result in less immediate dilution of existing shareholders' interests and, prior to our adoption of FAS 123(R), resulted in less compensation expense for us relative to other types of equity awards. Generally, all grants of stock options to our employees were granted with exercise prices equal to or greater than the fair market value of our common stock on the respective grant dates. For a discussion of the determination of the fair market value of these grants, see Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and the Use of Estimates included in our Annual Report on Form 10-K for the year ended December 31, 2007.

We do not time stock option grants to executives in coordination with the release of material non-public information. For the last two years, annual grants to employees (including executive officers) have been made on the first business day of the year. Beginning with annual grants for 2007, the grants will be made on the first Monday in January that is a business day. Initial Director option grants may be granted on the date the Director joins the Board of Directors. Biennial Director option grants are granted automatically upon election at the annual shareholder meeting. Director committee option grants are made at the first meeting of the Board of Directors after Titan's annual shareholder meeting. We also make automatic option grants on the five and ten year anniversary date of an employee's employment. Newly-hired employees may be granted options on the first day of employment. Our stock option grants have a 10-year contractual exercise term. In general, the option grants are also subject to the following post-termination and change in control provisions:

Event	Award Vesting	Exercise Term
Termination by us for Reason Other than Cause, Disability or Death	Forfeit Unvested Options	Earlier of: (1) 90 days or (2) Remaining Option Period
Termination for Disability, Death or Retirement	Forfeit Unvested Options	Earlier of: (1) 2 years or (2) Remaining Option Period
Termination for Cause	Forfeit Vested and Unvested Options	Expire
Other Termination	Forfeit Unvested Options	Earlier of: (1) 90 days or (2) Remaining Option Period
Change in Control	Accelerated*	*

\* The Compensation Committee may provide that, in the event of a change in control, any outstanding awards that are unexercisable or otherwise unvested will become fully vested and immediately exercisable. If there is a termination of employment, the applicable termination provisions regarding exercise term will apply.

The vesting of certain of our named executive officers' stock options is accelerated pursuant to the terms of their employment agreements in certain termination and/or change in control events. These terms are more fully described in Employment Agreements and Potential Payments upon Termination or Change in Control.

**Total Compensation Comparison.** Long-term equity incentives accounted for approximately 60% of total compensation for the principal executive officer and approximately 33% on average for our other named executive officers.

#### Executive Benefits and Perquisites

**In General.** We generally provide for our named executive officers and other executives to receive the same general health and welfare benefits offered to all employees. We currently provide no other perquisites to our named executive officers and other executives. We also offer participation in our defined contribution 401(k) plan. We do not match employee contributions under our 401(k) plan.

**Total Compensation Comparison.** Personal benefits and perquisites accounted for approximately 1% of total compensation for the principal executive officer and our other named executives officers.

#### Change in Control and Severance Benefits

**In General.** We provide the opportunity for certain of our named executive officers to be protected under the severance and change in control provisions contained in their employment agreements. We provide this opportunity to attract and retain an appropriate caliber of talent for the applicable position. Our severance and

change in control provisions for the named executive officers are summarized in Employment Agreements and Potential Payments upon Termination or Change in Control. Our analysis indicates that our severance and change in control provisions are consistent with the provisions and benefit levels of other companies disclosing such provisions as reported in public SEC filings. We believe our arrangements are reasonable in light of the fact that cash severance is limited to the greater of the term of the agreement or two years for the Principal Executive Officer (at a rate equal to his then current base salary) and twelve months for other named executive officers (at a rate equal to their then current base salary), there is no severance increase with a change in control and there are no single trigger benefits upon a change in control.

#### **Compensation Committee Interlocks and Insider Participation**

Members of our Compensation Committee of the Board of Directors were Mr. Eurelio M. Cavalier, Dr. Hubert E. Huckel and Dr. Konrad M. Weis. No member of our Compensation Committee was, or has been, an officer or employee of Titan or any of our subsidiaries.

No member of the Compensation Committee has a relationship that would constitute an interlocking relationship with executive officers or directors of the Company or another entity.

#### **Compensation Committee Report (1)**

The goal of the Company's executive compensation policy is to ensure that an appropriate relationship exists between executive compensation and the creation of stockholder value, while at the same time attracting, motivating and retaining experienced executive officers.

The Compensation Committee has reviewed and discussed the discussion and analysis of Titan's compensation which appears above with management, and, based on such review and discussion, the Compensation Committee recommended to Titan's Board of Directors that the above disclosure be included in our Annual Report on Form 10-K for the year ended December 31, 2007 and in this proxy statement.

The members of the Compensation Committee are:

*Eurelio M. Cavalier, Chair*

*Hubert E. Huckel, M.D.*

*Konrad M. Weis, Ph.D.*

- (1) The material in the above Audit and Compensation Committee reports is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any filing of the Company under the Securities Act of 1933, or the Securities Exchange Act of 1934, whether made before or after the date of this proxy statement and irrespective of any general incorporation language in such filing.

**EXECUTIVE COMPENSATION**

The following table shows information concerning the annual compensation for services provided to us by our Chief Executive Officer, the Chief Financial Officer and our three other most highly compensated executive officers during 2007 and 2006.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (1) (\$)	Option	All Other	Total
				Awards (2) (\$)	Compensation (3) (\$)	Compensation (\$)
Marc Rubin, M.D. (4) President and Chief Executive Officer	2007	\$ 103,750	\$	\$ 154,691	\$	\$ 258,441
	2006					
Louis R. Bucalo, M.D. (5) Executive Chairman	2007	493,328		236,160		729,488
	2006	378,471		137,919		516,390
Sunil Bhonsle Executive Vice President and Chief Operating Officer	2007	297,583		159,082		456,665
	2006	288,421		87,763		376,184
Robert E. Farrell, J.D. Executive Vice President and Chief Financial Officer	2007	248,508		124,026		372,534
	2006	240,846		55,484		296,330
Richard C. Allen, Ph.D.(6) Executive Vice President, Cell Therapy	2006	246,000		36,100		282,211

- (1) No bonuses were paid to our named executive officers during or related to 2007.
- (2) Valuation based on the dollar amount of option grants recognized for financial statement reporting purposes pursuant to FAS 123(R) with respect to 2007. The assumptions used by us with respect to the valuation of option grants are set forth in our Annual Report on Form 10-K for the year ended December 31, 2007 under Titan Pharmaceuticals, Inc. Consolidated Financial Statements Notes to Financial Statements Note 1 Organization and Summary of Significant Accounting Policies Stock Option Plans. The individual awards reflected in the summary compensation table are summarized below:

	Grant Date	Number of Shares	Amount Recognized in Financial Statements in 2007
Marc Rubin, M.D.	10/01/2007	1,500,000	\$ 154,691
Louis R. Bucalo, M.D.	01/03/2007	115,000	134,306
	09/24/2007	5,000	1,858
Sunil Bhonsle	01/03/2007	80,000	92,941
Robert E. Farrell, J.D.	01/03/2007	55,000	63,395

- (3) No other compensation, including perquisites, in excess of \$10,000 was paid to any of our named executive officers during 2007.
- (4) Dr. Rubin's salary has been prorated to reflect his October 1, 2007 employment start date.
- (5) Dr. Bucalo's salary includes \$106,812 in compensation related to accrued vacation.
- (6) Dr. Allen's employment was terminated in March 2006. He received salary continuation payments until December 2006. Dr. Allen's outstanding options continued to vest under the terms of his consulting agreement through February 2008.
- For a description of the material terms of employment agreements with our named executive officers, see Employment Agreements.



**Grants of Plan-Based Awards (1)**

The following table summarizes our awards made to our named executive officers under any plan in 2007.

<b>Name</b>	<b>Grant Date</b>	<b>Approval Date(2)</b>	<b>Number of Shares of Common Stock Underlying Options (#)</b>	<b>Exercise or Base Price of Option Awards (\$/Sh)</b>	<b>Grant Date Fair Value of Stock and Option Awards\$(3)</b>	<b>Grant Date Fair Market Value of a Share (\$/Sh)</b>
Marc Rubin, M.D.	10/01/2007	08/10/2007	1,500,000(6)	\$ 2.40	\$ 2,483,550	\$ 1.66
Louis R. Bucalo, M.D.	01/03/2007	12/18/2006	115,000(4)	3.13	262,729	2.28
	09/24/2007	09/24/2007	5,000(5)	2.04	6,939	1.39
Sunil Bhonsle	01/03/2007	12/18/2006				