VioQuest Pharmaceuticals, Inc.
Form POS AM
November 30, 2005

As filed with the Securities and Exchange Commission November 30, 2005

Registration No. 333-113980

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

POST-EFFECTIVE AMENDMENT NO. 2
FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VioQuest Pharmaceuticals, Inc.
(Name of small business issuer in its charter)

Delaware	**8731**	**58-1486040**
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

7 Deer Park Drive, Suite E
Monmouth Junction, NJ 08852
(Address and telephone number of principal executive offices and principal place of business)

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Approximate date of proposed sale to the public: From time to time after the effective date of this Registration Statement, as shall be determined by the selling stockholders identified herein.

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

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

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

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

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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.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Subject to completion, dated November 30, 2005

OFFERING PROSPECTUS

VioQuest Pharmaceuticals, Inc.

7,345,209 Shares

Common Stock

The selling stockholders identified on pages 50 - 54 of this prospectus are offering on a resale basis a total of 7,345,209 shares of our common stock, including 2,896,135 shares issuable upon the exercise of outstanding warrants. We will not receive any proceeds from the sale of these shares by the selling stockholders.

Our common stock is quoted on the Over-the-Counter Bulletin Board under the symbol “VQPH.” On November __, 2005, the last sale price for our common stock as reported on the OTC Bulletin Board was $__.

The securities offered by this prospectus involve a high degree of risk.
See “Risk Factors” beginning on page 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined that this prospectus is truthful or complete. A representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2005.

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PROSPECTUS SUMMARY

This summary provides a brief overview of the key aspects of this offering. Because it is only a summary, it does not contain all of the detailed information contained elsewhere in this prospectus or in the documents included as exhibits to the registration statement that contains this prospectus. Accordingly, you are urged to carefully review this prospectus in its entirety.

Our Company

VioQuest Pharmaceuticals, Inc. engages in two distinct businesses: drug development and chiral technology. Our drug development business focuses on the acquisition, development and commercialization of pharmaceutical drug candidates, particularly candidates for use in oncology. Our chiral business provides innovative chiral products, technology and services to pharmaceutical and fine chemical companies in all stages of a product lifecycle.

Drug Development

Through our drug development business, we acquire, develop, and commercialize innovative products for the treatment of important unmet medical needs in cancer and immunological diseases. Through our acquisition of Greenwich Therapeutics, Inc. in October 2005, we obtained the rights to develop and commercialize two oncology drug candidates - Sodium Stibogluconate, also called “SSG,” and Triciribine, or “TCN.” The rights to our two oncology drug candidates, SSG and TCN, are governed by license agreements with The Cleveland Clinic Foundation and the University of South Florida Research Foundation, respectively. These licenses gives us the right to develop, manufacture, use, commercialize, lease, sell and/or sublicense SSG and TCN.

SSG is a pentavalent antimonial drug that we believe acts as an inhibitor to the enzymatic action of multiple protein tyrosine phosphatases, or PTPases, which are enzymes involved in the intracellular signaling pathways of a number of receptor tyrosine kinases involved in controlling cell growth, proliferation and differentiation. By inhibiting the enzymatic action of certain PTPases, it is believed that SSG may be effective in triggering apoptosis, or cell death, in malignant cancer cells. This potential effect on cancer cells, coupled with its apparent ability to empower the immune system and its modest toxicity profile, indicate to us that SSG is an ideal drug to evaluate as an anti-cancer agent. To date, we have not submitted any application to the FDA, although The Cleveland Clinic has filed an investigator IND which has been accepted by the FDA, and pursuant to which it is conducting a clinical trial in SSG.

TCN is a nucleoside analog which we believe inhibits Akt (Protein Kinase B). Though not normally active in human cells, Akt, a serine/threonine protein kinase, is typically hyperactivated, or hyperphosphorylated, in many tumor types. Since Akt has been shown to play a critical role in malignant transformation by inducing cell survival, growth, migration, and angiogenesis, and since research demonstrates disruption of the Akt pathway leads to apoptosis and inhibition of tumor growth, we believe that Akt is an attractive therapeutic target. Therefore, if TCN inhibits Akt, as available research indicates, we believe that TCN may be effective in the treatment of certain malignancies.

Chiral Products and Services

Our chiral business offers two main lines of products and services - proprietary chiral catalysts and chiral building blocks or client-defined molecules. We have the rights to certain chemical compounds known as chiral ligands which, with the introduction of a metal, serve as catalysts in facilitating the production of chiral molecules in such a manner that there is a preferential manufacture of the desired molecule versus the unwanted mirror-image molecule. We provide pharmaceutical and fine chemical manufacturers and other prospective clients with broad access to our technologies for testing purposes at a low upfront cost, coupled with the opportunity to gain access to such technologies for specific applications for fees, royalties and certain manufacturing and development rights. Our ligands may also find use in producing fine chemicals other than pharmaceuticals - chiral molecules are used in flavors, fragrances, agrochemicals, animal health, food and feed additives (including vitamins) and nutraceuticals. In

connection with our chiral technology, we provide specialized services to pharmaceutical, biotechnology and fine chemical companies relating to the development of chiral manufacturing processes for their products. We are also engaged in developing and making client-defined building blocks and drug candidate fragments, mainly in the chiral area. With this process chemistry offering to life sciences companies, we develop new synthetic routes or optimize existing ones and produce certain quantities of material for further processing at the clients' needs either for further elaboration, clinical trials or beyond.

Our proprietary chiral technology was developed by Dr. Xumu Zhang, a professor at Pennsylvania State University ("Penn State"), and is owned by the Penn State Research Foundation ("PSRF"), the technology development arm of Penn State. In November 2000, we obtained from the PSRF an exclusive, worldwide license to certain patents based on Dr. Zhang's research relating to asymmetrical catalysis. This license gives us the right to, among other things, sub-license technology rights on a non-exclusive basis to clients, or sell molecule groups, known as ligands, to pharmaceutical and fine chemical company clients for both research and commercial applications.

We are incorporated under the laws of Delaware. Our company resulted from the reverse merger of Chiral Quest, LLC, a Pennsylvania limited liability company that commenced operations in October 2000, and Surg II, Inc., a Minnesota corporation, on February 18, 2003. Following the merger, Surg II, Inc. was renamed Chiral Quest, Inc., and in August 2004, we changed our name to VioQuest Pharmaceuticals, Inc. In October 2005, we reincorporated in the state of Delaware. See "— Recent Developments — Reincorporation."

Our executive offices are located at Princeton Corporate Plaza, 7 Deer Park Drive, Suite E, Monmouth Junction, New Jersey 08852 and our telephone number is (732) 274-0399. Our Internet site is www.vioquestpharm.com.

Recent Developments

Reincorporation

Pursuant to an Agreement and Plan of Merger with VioQuest Delaware, Inc., a Delaware corporation and our wholly-owned subsidiary, we merged with and into VioQuest Delaware with VioQuest Delaware remaining as the surviving corporation. Our stockholders received one share of common stock of VioQuest Delaware, par value $.001, for each share of our common stock held. In connection with the reincorporation, VioQuest Delaware changed its name to "VioQuest Pharmaceuticals, Inc." The reincorporation merger, together with a proposal to increase the authorized capital of the Company from 50,000,000 undesignated shares of capital stock to 100,000,000 shares of common stock and 10,000,000 shares of undesignated preferred stock, were approved by the Company's stockholders at a special meeting held on October 6, 2005.

2005 Private Placement

On October 18, 2005, we completed a private placement of units consisting of shares of our common stock and warrants to purchase additional shares of common stock. We sold a total of 11,179,975 shares of common stock, together with five-year warrants to purchase 4,471,975 shares at an exercise price of $1.00 per share, for gross proceeds of approximately $8.4 million, before deducting selling commissions and expenses.

We engaged Paramount BioCapital, Inc. as placement agent and paid total cash commissions of approximately $587,000, of which $35,525 was paid to certain selected dealers engaged by Paramount BioCapital in connection with the private placement and issued five-year warrants to purchase an aggregate of 1,117,997 shares of common stock exercisable at a price of $1.00 per share, which Paramount Bio Capital allocated to certain selected dealers engaged by Paramount Bio Capital. After deduction of these selling commissions and expenses, we realized aggregate net proceeds from our October 2005 private placement of approximately $7.8 million.

Acquisition of Greenwich Therapeutics, Inc.

Pursuant to an Agreement and Plan of Merger dated July 1, 2005, as amended (the "Merger Agreement"), among us, Greenwich Therapeutics, Inc., a Delaware corporation, and VQ Acquisition Corp., a Delaware corporation and our wholly-owned subsidiary, VQ Acquisition merged with and into Greenwich, with Greenwich remaining as the surviving corporation and our wholly-owned subsidiary. In consideration for their shares of Greenwich capital stock and in accordance with the Merger Agreement, the stockholders of Greenwich received an aggregate of approximately 17,128,790 shares of our common stock and five-year warrants to purchase an aggregate of 4,000,000 shares of common stock exercisable at a price of $1.41 per share. One-half of the total number of shares and warrants issued to former Greenwich stockholders were deposited into an escrow account and will be released upon the achievement of certain milestones relating to the development of the product candidates acquired from Greenwich. As a result of the merger, we assumed Greenwich's outstanding indebtedness of approximately $822,000, which resulted from a promissory note issued to Paramount BioCapital Investments, LLC, which is owned and controlled by Dr. Lindsay Rosenwald. The note was amended at the time of the merger to provide that we would assume the outstanding indebtedness under the note and that (i) one-third of the outstanding indebtedness was payable at such time as we raised at least $5 million in new financing (an "Offering"), which was triggered by an October 2005 private placement, (ii) one-third of the outstanding indebtedness was payable at such time as we raised at least an aggregate of $10 million in new financing (including an Offering), and (iii) one-third of the outstanding indebtedness would convert into shares of our common stock at the closing of the Offering. As a result of the October 2005 private placement, discussed above, we have now satisfied an aggregate of approximately $560,000 of the indebtedness due under the amendment by paying $265,000 in cash and issuing 392,830 shares of our common stock at a per-share price of $0.75 to Paramount.

Several of Greenwich's former stockholders are our directors or significant stockholders. Dr. Rosenwald and various trusts established for the benefit of Dr. Rosenwald and members of his immediate family collectively beneficially owned approximately 48 percent of Greenwich's common stock and, immediately prior to the merger, beneficially owned approximately 16 percent of our common stock. In addition, Stephen C. Rocamboli and Michael Weiser, each of whom is a director of our company, collectively owned approximately 11 percent of Greenwich's outstanding common stock. Mr. Rocamboli and Dr. Weiser are also employed by Paramount BioCapital, Inc., an entity owned and controlled by Dr. Rosenwald. As a result of such relationships with Greenwich, both Mr. Rocamboli and Dr. Weiser did not attend or otherwise participate in any meetings of our board of directors relating to the Merger Agreement.

Risk Factors

For a discussion of some of the risks you should consider before purchasing shares of our common stock, you are urged to carefully review and consider the section entitled "Risk Factors" beginning on page 7 of this prospectus.

The Offering

The selling stockholders identified on pages 50 - 54 of this prospectus are offering on a resale basis a total of 7,345,209 shares of the following shares of our common stock:

·4,449,079 shares of our outstanding common stock issued in connection with our February 2004 private placement;

- 2,413,444 shares of our common stock issuable at a price of $1.65 per share upon the exercise of warrants issued to the investors in our February 2004 private placement; and

- 482,691 shares of our common stock issuable at a price of $1.65 per share upon the exercise of warrants issued to the placement agents in connection with our February 2004 private placement.

Common stock offered	7,345,209 shares
Common stock outstanding before the offering[1]	46,729,519 shares
Common stock outstanding after the offering[2]	49,625,654 shares
Common Stock OTC Bulletin Board symbol	VQPH.OB

(1) Based on the number of shares outstanding as of November 15, 2005, not including 17,198,472 shares issuable upon exercise of various warrants and options to purchase common stock.

(2) Assumes the issuance of all shares offered hereby that are issuable upon exercise of warrants.

RISK FACTORS

An investment in our common stock is very risky. You may lose the entire amount of your investment. Prior to making an investment decision, you should carefully review this entire prospectus and consider the following risk factors:

Risks Related to Our Securities

Trading of our common stock is limited, which may make it difficult for you to sell your shares at times and prices that you feel are appropriate.

Trading of our common stock, which is conducted on the OTC Bulletin Board has been limited. This adversely effects the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of us. This may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock.

Because it is a "penny stock," it will be more difficult for you to sell shares of our common stock.

In addition, our common stock is considered a "penny stock" under SEC rules because it has been trading on the OTC Bulletin Board at a price lower than $5.00. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the SEC. This document provides information about penny stocks and the nature and level of risks involved in investing in the penny-stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser, and obtain the purchaser's written agreement to the purchase. Broker-dealers also must provide customers that hold penny stocks in their accounts with such broker-dealer a monthly statement containing price and market information relating to the penny stock. If a penny stock is sold to you in violation of the penny stock rules, you may be able to cancel your purchase and get your money back. The penny stock rules may make it difficult for you to sell your shares of our stock, however, and because of the rules, there is less trading in penny stocks. Also, many brokers simply choose not to participate in penny-stock transactions. Accordingly, you may not always be able to resell shares of our common stock publicly at times and prices that you feel are appropriate.

A significant number of shares of our common stock are or will become available for sale and their sale could depress the price of our common stock.

A substantial number of shares of our common stock are being offered by this prospectus. We may also issue additional shares in connection with our business and may grant additional stock options to our employees, officers, directors and consultants or warrants to third parties. Sales of a substantial number of shares of our common stock in the public market after this offering could adversely affect the market price for our common stock and make it more difficult for you to sell our shares at times and prices that you feel are appropriate.

Our stock price is, and we expect it to remain, volatile, which could limit investors' ability to sell stock at a profit.

The volatile price of our stock makes it difficult for investors to predict the value of their investment, to sell shares at a profit at any given time, or to plan purchases and sales in advance. A variety of factors may affect the market price of our common stock. These include, but are not limited to:

·announcements of technological innovations or new commercial products by our competitors or us;

·developments concerning proprietary rights, including patents;

·regulatory developments in the United States and foreign countries;

·economic or other crises and other external factors;

·period-to-period fluctuations in our revenues and other results of operations;

·changes in financial estimates by securities analysts; and

·sales of our common stock.

We will not be able to control many of these factors, and we believe that period-to-period comparisons of our financial results will not necessarily be indicative of our future performance.

In addition, the stock market in general, and the market for biotechnology companies in particular, has experienced extreme price and volume fluctuations that may have been unrelated or disproportionate to the operating performance of individual companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance.

Because we do not expect to pay dividends, you will not realize any income from an investment in our common stock unless and until you sell your shares at profit.

We have never paid dividends on our common stock and do not anticipate paying any dividends for the foreseeable future. You should not rely on an investment in our stock if you require dividend income. Further, you will only realize income on an investment in our shares in the event you sell or otherwise dispose of your shares at a price higher than the price you paid for your shares. Such a gain would result only from an increase in the market price of our common stock, which is uncertain and unpredictable.

Risks Related to Our Company

We have no meaningful operating history on which to evaluate our business or prospects.

We commenced operations with respect to our chiral business in October 2000 and only acquired the rights in our two drug candidates in October 2005. Therefore, have only a limited operating history on which you can base an evaluation of our business and prospects. Accordingly, our business prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets, such as the fine chemical, pharmaceutical and biotechnology markets.

Our management anticipates incurring losses for the foreseeable future.

For the year ended December 31, 2004, we had a net loss of $4,023,558 and since our inception in October 2000 through September 30, 2005, we have incurred an aggregate net loss of $10,248,407. As of September 30, 2005, without giving effect to our October 2005 private placement, we had total assets of $2,613,254, of which $261,782 was cash or cash equivalents. We expect operating losses to continue for the foreseeable future and there can be no

assurance that we will ever be able to operate profitably.

We will require additional financing in order to complete the development of our products and services and otherwise develop our business operations. Such financing may not be available on acceptable terms, if at all.

Following the completion of our October 2005 private placement, we anticipate that our current capital will be adequate to fund our operations through at least September 30, 2006. However, changes may occur that would consume available capital resources before that time. Our combined capital requirements will depend on numerous factors, including: competing technological and market developments, changes in our existing collaborative relationships, the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights and the outcome of any potentially related litigation or other dispute, the purchase of additional capital equipment, acquisition of technologies, and the development and regulatory approval progress of our customers' product candidates into which our technology will be incorporated. Additionally, working capital will be impacted by the costs associated with the drug development process related to acquiring a drug candidate. Unless we are able to significantly increase our revenues, we will most likely require additional financing by the end of the third quarter of 2006 in order to continue operations. The most likely source of such financing includes private placements of our equity or debt securities or bridge loans to us from third party lenders. These factors raise substantial doubt about our ability to continue as a going concern.

Additional capital that may be needed by us in the future may not be available on reasonable terms, or at all. If adequate financing is not available, we may be required to terminate or significantly curtail our operations, or enter into arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, or potential markets that we would not otherwise relinquish.

Our operating results will fluctuate, making it difficult to predict our results of operations in any future period.

As we develop our business, we expect our revenues and operating results to vary significantly from quarter-to-quarter. As a result, quarter-to-quarter comparisons of our revenues and operating results may not be meaningful. In addition, due to the fact that we have little or no significant operating history with our new technology, we cannot predict our future revenues or results of operations accurately. Our current and future expense levels are based largely on our planned expenditures and estimates of future revenues. Accordingly, we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall, and any significant shortfall in revenues relative to our planned expenditures could have an immediate adverse effect on our business and results of operations.

A small group of persons is able to exert significant control over us.

Our current officers and directors beneficially own or control approximately 13% of our common stock. Individually and in the aggregate, these persons will have significant influence over the management of our business, the election of directors and all matters requiring stockholder approval. In particular, this concentration of ownership may have the effect of facilitating, delaying, deferring or preventing a potential acquisition of our company and may adversely affect the market price of our common stock. Additionally, two members of our Board of Directors are employees of Paramount BioCapital, Inc., or one of its affiliates. Dr. Lindsay A. Rosenwald is the chairman and sole owner of Paramount BioCapital, Inc. and such affiliates. Dr. Rosenwald beneficially owns 7.2% of our outstanding common stock, and several trusts for the benefit of Dr. Rosenwald and his family beneficially own 21.8% of our outstanding common stock. Although Dr. Rosenwald does not have the legal authority to exercise voting power or investment discretion over the shares held by those trusts, he nevertheless may have the ability to exert significant influence over the Company.

The fine chemical, pharmaceutical and biotechnology industries involve rapidly changing technologies.

Rapid technological change and uncertainty due to new and emerging technologies characterize the drug and fine chemical development industries. We may not be able to develop, integrate and market, on a timely basis, the new and enhanced products and services necessary to keep pace with competitors. Failure to anticipate or to respond to changing technologies, or significant delays in product development or introduction, could cause our customers to delay or decide against purchases of our products or services.

Risks Relating to Our Chiral Business

Our future success is highly dependent on the continued availability of Dr. Xumu Zhang and other key employees and consultants.

In connection with the continued development of our products and services, the success of our chiral business is substantially dependent upon on the continued service of our existing research personnel, including in particular, Xumu Zhang, Ph.D. Dr. Zhang, a professor at Penn State, who serves as our Chief Technology Officer and provides essential services to us pursuant to a consulting agreement. Although we maintain a $5 million key-man insurance policy with respect to Dr. Zhang and he has entered into a non-compete agreement with us, the loss of his services would have a material adverse effect on our business. In addition to Dr. Zhang, we employ other research scientists who are also critical to our success. Although these research scientists have entered into confidentiality agreements, most have not entered into noncompete agreements with us. The loss of one or more of our research personnel could prevent or delay the ongoing development of our products and services, which would materially and adversely affect our business.

We may be unable to develop successful customer relationships.

We intend to establish relationships with various types of customers and partners, such as pharmaceutical and fine chemical manufacturers. Each of these relationships will involve negotiation of terms and fees. We cannot be certain that we will be able to negotiate profitable relationships or that we can successfully fulfill our obligations under development agreements that will allow us to continue these relationships.

Our license agreement with Penn State Research Foundation may be terminated if we do not achieve certain milestones.

Our business is based on technically complex products and services. We do not directly own our proprietary technology, but rather we have the exclusive, worldwide right to use it pursuant to a license agreement with the Penn State Research Foundation. Currently, our commercial success depends entirely on this licensed technology. Pursuant to the license agreement, we are required to use our best efforts to achieve “gross revenue” (as defined in the license agreement) of at least $250,000 in 2004 (which we achieved), and at least $350,000 in 2005 (which we achieved), and at least $500,000 in 2006. In the event we fail to achieve these milestones in 2006, or otherwise materially breach the license agreement, the Penn State Research Foundation may have the right, but not the obligation, to terminate the license. Unless we subsequently develop our own technology independent of the Penn State Research Foundation, termination of this license would preclude us from implementing our business plan.

We will need to create and grow our scientific, sales and support operations.

We will need to create and substantially grow our direct and indirect sales operations, both domestically and internationally, in order to create and increase market awareness and sales of our products and services. The sale of our products and services will require the engagement of sophisticated and highly knowledgeable sales personnel. Similarly, the anticipated complexity of our products and services and the difficulty of customizing them will require us to hire research and development personnel and customer service and support personnel, highly trained in chiral chemistry and chemical engineering. Competition among our company and others to retain qualified sales personnel, chemists and chemical engineers is intense due to the limited number of available qualified candidates for such positions. Many of our competitors are in a financial position to offer potential employees greater compensation and benefits than those which may be offered by us. Failure to recruit and retain such persons will have a material adverse effect on our business operations.

We are dependent on a few customers.

We are currently dependent on two customers who accounted for 34 percent and 26 percent, a major pharmaceutical company and a biotech company respectively, of our fiscal 2004 revenue, and we have continued to be dependent on a limited number of customers during fiscal 2005. The loss of either customer would have a material adverse effect on our business.

Our future success is dependent on the management of our potential growth.

Our future success depends upon our ability to grow our business. Such growth, if it occurs, will require us to establish management and operating systems, hire additional technical support and sales personnel, and establish and maintain our own independent office, research and production facilities. Failure to manage that growth efficiently could have a material adverse affect on our business.

We face intense competition.

We compete directly with the in-house research departments of fine chemical, pharmaceutical and biotechnology companies, as well as contract research companies, and research and academic institutions. Many of our competitors have greater financial and other resources than us. As new companies enter the market and as more advanced technologies become available, we expect to face increased competition. In the future, any one of our competitors may develop technological advances that render obsolete the products or services that we provide or may provide in the future. While we plan to develop new and better technologies, which will give us competitive advantages, our competitors plan to do the same. We may not be able to develop the technologies we need to successfully compete in the future, and our competitors may be able to develop such technologies before we do. Consequently, we may not be able to successfully compete in the future.

Since many of our customers and potential customers are pharmaceutical and biotechnology companies, we are and will be subject to risks, uncertainties and trends that affect companies in these industries.

For the foreseeable future, we will derive a substantial portion of our revenue from pharmaceutical and biotechnology companies. As a result, we will be subject to risks and uncertainties that affect the pharmaceutical and biotechnology industries and possible reduction and delays in research and development expenditures by companies in these industries. Our future revenues may also be adversely affected by mergers and consolidation in the pharmaceutical and biotechnology industries, which will reduce the number of potential customers.

In particular, pharmaceutical and biotechnology companies face significant regulation by governmental entities in the United States and other countries. The nature and the extent to which such regulation may apply to our customers will vary depending on the nature of any such customers' products. Most of the pharmaceutical products developed by our customers will require regulatory approval by governmental agencies prior to commercialization. In particular, human pharmaceutical therapeutic products are subject to rigorous preclinical and clinical testing and other approval procedures by the FDA and by foreign regulatory authorities. Various federal and, in some cases, state laws also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of such pharmaceutical products. The process of obtaining these approvals and the subsequent compliance with appropriate federal and foreign statutes and regulations are time consuming, can cause significant delays in the commercialization of a drug, and often require the expenditure of substantial resources. To the extent our customers experience significant delays in obtaining the necessary regulatory approvals to market their pharmaceutical products, or are unable to obtain such approvals at all, these customers will not purchase our proprietary ligands and other services used in the manufacture of the ultimate pharmaceutical product.

We may be held liable for harm caused by drugs that our customers develop and test.

Often times, our ligands will be used by our customers to produce drugs for human use. If any of the drugs cause injuries or illness to people, we may be required to incur substantial costs in defending against claims and may be required to pay damages arising therefrom. Although we have liability insurance and will use commercially reasonable efforts to obtain indemnification covenants from our customers for their use of our products, such protections may not be sufficient to protect us from the cost of such claims. Damages awarded in a product liability action could be substantial and could have a material adverse effect on our financial condition.

We may be held liable for contamination or other harm caused by hazardous materials that we use.

Some of our research and development processes involve the use of hazardous materials and, therefore, we are subject to federal, state and local regulation governing the use, manufacture, handling, storage and disposal of hazardous materials. We cannot completely eliminate the risk of contamination or injury resulting from hazardous materials and we may incur liability as a result of any contamination or injury. We may also incur expenses relating to compliance with environmental laws. Such expenses or liability may have a material adverse effect on our financial condition.

We may not be able to license technologies that we need to conduct our business.

In addition to the technologies that we develop, we will rely heavily on technologies that we license from other companies or institutions. We may not be able to license technologies that we need in the future or we may be unable to license such technologies on a commercially reasonable basis. Although our license agreement with the Penn State Research Foundation provides that we are entitled to use any "improvements" subsequently made to the technologies we currently license, the Penn State Research Foundation has no obligation to license any "new" technologies discovered by Dr. Zhang and researchers at Penn State. If we are unable to license the technologies we need in the future, or to license or otherwise acquire such technologies on commercially reasonable terms, we may experience increased costs (and, therefore, reduced profits) or be unable to engage in certain activities that require those technologies. Accordingly, failure to license the technologies we need in the future or otherwise acquire such technologies on commercially reasonable terms could have a material adverse effect on our business operations.

Our success will depend on our ability to protect our proprietary technology.

Our rights to a substantial portion of our technology are as the exclusive licensee to several United States patents and a number of United States and foreign pending patent applications held by the Penn State Research Foundation, including the ligands that comprise our Chiral ToolKit. These patents and patent applications are based primarily upon the work of Dr. Zhang, our CTO, who is also an associate professor at the Pennsylvania State University. Our success will depend largely on our ability, and the ability of our licensors and licensees, to obtain patents for their technologies and products, if any, resulting from the application of such technologies, defend patents once obtained, and maintain trade secrets.

If we are unable to protect our intellectual property, or incur significant expense in doing so, our business, operating results and financial condition may be materially adversely affected. Any steps we take to protect our intellectual property may be inadequate, time consuming and expensive.

Our success and ability to compete are substantially dependent upon our internally developed products and services, which we currently protect through the use of United States and foreign patents. To the extent such products and services are not patentable, we will rely on trade secret protection. As with other knowledge-based products, however, our patent positions rest on complex factual and legal issues that are not entirely resolved and there can be no assurance that the patents utilized by us will adequately protect our proprietary products and services. Although we have taken steps to protect our unpatented trade secrets and know-how, in part through the control of access to such information and through the use of confidentiality agreements with our employees, consultants and certain of our contractors, customers and potential customers, there can be no assurance that these agreements will not be breached, that we would have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently developed or discovered by competitors. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. We anticipate that policing unauthorized use of our products will be difficult, and we cannot be certain that the steps we intend to take to prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States, will be successful. Other companies may also independently develop substantially equivalent information.

Foreign laws may not afford us sufficient protection for our intellectual property rights and, in certain cases, we may not seek patent protection outside the United States.

We believe that our success will depend, in part, upon our ability to obtain international protection for our intellectual property. We have existing foreign customers and believe we will have access to large markets oversees. The laws of some foreign countries may, however, not be as comprehensive as those of the United States and may not be sufficient to protect our proprietary rights abroad. In addition, in certain cases, we may decide not to pursue patent protection outside the United States, because of cost and confidentiality concerns. Accordingly, our international competitors could obtain foreign patent protection for, and market overseas, technology for which we are seeking United States patent protection, though such competitors' patent protection generally requires such competitors to make their patent filings prior to information on our relevant inventions becoming sufficiently available under local law as to block the availability of such competitors' patent protection.

Our technology may infringe on the proprietary rights of others.

We anticipate that other patents that we license or may license in the future will be increasingly subject to infringement claims due to the rapid development of chiral chemistry and competitors in our industry. In fact, one potential competitor, Solvias, AG, based in Basel, Switzerland, notified us in July 23, 2002, of its claim that one of the patented ligands we license from the Penn State Research Foundation infringes on a patent that Solvias licenses from BASF Group, AG. Some of our other competitors or our potential competitors may have filed or intend to file patent applications that may make claims that conflict with the claims of the patents that we license. We cannot be certain

that these competitors or other third parties will not assert infringement claims against us with respect to our products and technology. Any infringement claim, including Solvias' claim, regardless of its merit, could be time-consuming and expensive to defend. Such claims may also require us to enter into royalty or licensing agreements in order to continue using the disputed technology. In the event we could not afford to defend our company against an infringement claim or are not able to enter into a license or royalty agreement on commercially favorable terms, or at all, we may be required to abandon the technology that is subject to such claims.

Risks Related to our Drug Development Business

Our success in the drug development business depends upon license agreements.

We do not directly own the rights to our product candidates, but rather, through our acquisition of Greenwich, have obtained the exclusive world-wide rights to develop, manufacture, use, commercialize, lease, sell and/or sublicense our product candidates pursuant to license agreements with The Cleveland Clinic Foundation ("CCF") and the University of South Florida Research Foundation, Inc. ("USF"). Each of the license agreements automatically terminate upon Greenwhich's bankruptcy or upon the date of the last to expire claim contained in the patents subject to the license agreement. Each license agreement may be terminated by CCF or USF, as applicable, upon notice with an opportunity for cure, for our failure to make required payments or its material breach, or by us, upon thirty day's written notice. Since our drug development business will depend entirely on the availability of these license rights, the termination of the licenses would significantly reduce the value of our company.

To develop our drug candidates, we will require significant additional financing, which may not be available on acceptable terms and will significantly dilute your ownership of our common stock.

We will need significant additional financing to develop and bring SSG and TCN to market. Our future capital requirements will depend on numerous factors, including:

- the terms of our license agreements with CCF and USF, including the amount of license fees and milestone payments required under such agreements;
- the results of any clinical trials;
- the scope and results of our research and development programs;
- the time required to obtain regulatory approvals;
- our ability to establish and maintain marketing alliances and collaborative agreements; and
- the cost of our internal marketing activities.

We will likely look to obtain the necessary additional financing by selling shares of our capital stock. If adequate funds are not available, we will be required to delay, scale back or eliminate our drug development program or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to our products that we would not otherwise relinquish.

Our drug development subsidiary will experience significant negative cash flow for the foreseeable future and may never become profitable.

Because drug development takes several years and is extremely expensive, we expect that Greenwich will incur substantial losses and negative operating cash flow for the foreseeable future, and may never achieve or maintain profitability, even if we succeed in developing and commercializing SSG and/or TCN. In connection with our drug development business, we also expect to continue to incur significant operating and capital expenditures and anticipate that our expenses will increase substantially in the foreseeable future as we:

·undertake pre-clinical development and clinical trials for SSG and TCN;

·seek regulatory approvals for SSG and TCN;

·implement additional internal systems and infrastructure;

·lease additional or alternative office facilities; and

·hire additional personnel.

Our drug development business may not be able to generate revenue or achieve profitability. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

If we are not able to obtain the necessary U.S. or worldwide regulatory approvals to commercialize SSG and TCN, we will not be able to sell them.

We will need FDA approval to commercialize SSG and TCN in the U.S. and approvals from the FDA equivalent regulatory authorities in foreign jurisdictions to commercialize our product candidates in those jurisdictions. In order to obtain FDA approval of a drug candidate, we will be required to first submit to the FDA for approval an Investigational New Drug Application, or an "IND," which will set forth our plans for clinical testing of a particular drug candidate.

When the clinical testing for our product candidates is complete, we will then be required to submit to the FDA a New Drug Application, or "NDA," demonstrating that the product candidate is safe for humans and effective for its intended use. This demonstration will require significant research and animal tests, which are referred to as pre-clinical studies, as well as human tests, which are referred to as clinical trials. Satisfaction of the FDA's regulatory requirements typically takes many years, depends upon the type, complexity and novelty of the product candidate and requires substantial resources for research, development and testing. The FDA has substantial discretion in the drug approval process and may require us to conduct additional pre-clinical and clinical testing or to perform post-marketing studies. The approval process may also be delayed by changes in government regulation, future legislation or administrative action or changes in FDA policy that occur prior to or during our regulatory review. Delays in obtaining regulatory approvals may:

·delay commercialization of, and our ability to derive product revenues from, our drug candidates;

·impose costly procedures on us; and

·diminish any competitive advantages that we may otherwise enjoy.

Even if we comply with all FDA requests, the FDA may still ultimately reject an NDA. Failure to obtain FDA approval of a drug candidate will severely undermine our business development by reducing our ability to recover the

development costs expended in connection with a drug candidate and realize any profit from commercializing a drug candidate.

In foreign jurisdictions, we will be required to obtain approval from the appropriate regulatory authorities before we can commercialize our drugs. Foreign regulatory approval processes generally include all of the risks associated with the FDA approval procedures described above.

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

In order to develop and commercialize SSG and TCN, we will be required to expend significant time, effort and money to conduct human clinical trials necessary to obtain regulatory approval of our product candidates. Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time consuming. We estimate that clinical trials of our product candidates will take at least several years to complete. Furthermore, failure can occur at any stage of the trials, and we could encounter problems that cause us to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including:

·unforeseen safety issues;

·determination of dosing issues;

·lack of effectiveness during clinical trials;

·slower than expected rates of patient recruitment;

·inability to monitor patients adequately during or after treatment; and

·inability or unwillingness of medical investigators to follow our clinical protocols.

In addition, we or the FDA may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the FDA finds deficiencies in our IND submissions or the conduct of these trials.

The results of any clinical trial may not support the results of pre-clinical studies relating to our product candidates, which may delay development of SSG and/or TCN or cause us to abandon development altogether.

Even if any clinical trials we undertake with respect to SSG and TCN are completed as planned, we cannot be certain that their results will support the findings of pre-clinical studies upon which a development plan would be based. Success in pre-clinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the results of later clinical trials will replicate the results of prior clinical trials and pre-clinical testing. The clinical trial process may fail to demonstrate that our product candidates are safe for humans and effective for indicated uses. This failure may cause us to delay the development of a product candidate or even to abandon development altogether. Such failure may also cause delay in other product candidates. Any delay in, or termination of, our clinical trials will delay the filing of our NDAs with the FDA and, ultimately, our ability to commercialize our product candidates and generate product revenues.

If physicians and patients do not accept and use our drugs after regulatory approvals are obtained, we will not realize sufficient revenue from such product to cover our development costs.

Even if the FDA approved any product candidate that we developed, physicians and patients may not accept and use them. Acceptance and use of our product candidates will depend upon a number of factors including:

- perceptions by members of the health care community, including physicians, about the safety and effectiveness of our drugs;
- cost-effectiveness of our product relative to competing products;
- availability of reimbursement for our products from government or other healthcare payers; and
- effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any.

Because our drug development business plan contemplates that substantially all of any future revenues we will realize will result from sales of SSG, TCN or any other product candidates that we develop, the failure of any of our drug candidates to find market acceptance would significantly and adversely affect our ability to generate cash flow and become profitable.

We intend to rely upon third-party researchers and other collaborators who will be outside our control and may not devote sufficient resources to our projects.

We intend to collaborate with third parties, such as drug investigators, researchers and manufacturers, in the development of our product candidates. Such third parties, which might include universities and medical institutions, will likely conduct the necessary pre-clinical and clinical trials for a product candidate that we develop. Accordingly, our successful development of any product candidate will likely depend on the performance of these third parties. These collaborators will not be our employees, however, and we may be unable to control the amount or timing of resources that they will devote to our programs. For example, such collaborators may not assign as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. If outside collaborators fail to devote sufficient time and resources to our drug-development programs, or if their performance is substandard, the approval of our FDA applications, if any, and our introduction of new drugs will be delayed. These collaborators may also have relationships with other commercial entities, some of whom may compete with us in the future. If our collaborators were to assist our competitors at our expense, the resulting adverse impact on our competitive position could delay the development of our drug candidates or expedite the development of a competitor’s candidate.

We will rely exclusively on third parties to formulate and manufacture our product candidates.

We do not currently have, and have no current plans to develop, the capability to formulate or manufacture drugs. Rather, we intend to contract with one or more manufacturers to manufacture, supply, store and distribute drug supplies that will be needed for any clinical trials we undertake. If we received FDA approval for any product candidate, we would rely on one or more third-party contractors to manufacture our drugs. Our anticipated future reliance on a limited number of third-party manufacturers will expose us to the following risks:

- We may be unable to identify manufacturers on commercially reasonable terms or at all because the number of potential manufacturers is limited and the FDA must approve any replacement contractor. This approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA approval, if any.

- Our third-party manufacturers might be unable to formulate and manufacture our drugs in the volume and of the quality required to meet our clinical needs and commercial needs, if any.

- Our future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our products.

- Drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the DEA, and corresponding state agencies to ensure strict compliance with good manufacturing practice and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.

- If any third-party manufacturer makes improvements in the manufacturing process for our products, we may not own, or may have to share, the intellectual property rights to the innovation.

We may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the FDA must approve any replacement contractor. This approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA approval, if any.

If we are not able to successfully compete against other drug companies, our business will fail.

The market for new drugs is characterized by intense competition and rapid technological advances. If any drug candidate that we develop receives FDA approval, we will likely compete with a number of existing and future drugs and therapies developed, manufactured and marketed by others. Existing or future competing products may provide greater therapeutic convenience or clinical or other benefits for a specific indication than our products, or may offer comparable performance at a lower cost or with fewer side-effects. If our products fail to capture and maintain market share, we may not achieve sufficient product revenues and our business will suffer.

We will be competing against fully integrated pharmaceutical companies and smaller companies that are collaborating with larger pharmaceutical companies, academic institutions, government agencies and other public and private research organizations. Many of these competitors have drug candidates already approved or in development. In addition, many of these competitors, either alone or together with their collaborative partners, operate larger research and development programs and have substantially greater financial resources than we do, as well as significantly greater experience in:

- developing drugs;

- undertaking pre-clinical testing and human clinical trials;

·obtaining FDA and other regulatory approvals of drugs;

·formulating and manufacturing drugs; and

·launching, marketing and selling drugs.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus that are forward-looking in nature are based on the current beliefs of our management as well as assumptions made by and information currently available to management, including statements related to the markets for our products, general trends in our operations or financial results, plans, expectations, estimates and beliefs. In addition, when used in this prospectus, the words “may,” “could,” “should,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “predict” and similar expressions and their variants, as they to us or our management, may identify forward-looking statements. These statements reflect our judgment as of the date of this prospectus with respect to future events, the outcome of which are subject to risks, which may have a significant impact on our business, operating results or financial condition. You are cautioned that these forward-looking statements are inherently uncertain. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein. We undertake no obligation to update forward-looking statements. The risks identified under the heading “Risk Factors” in this prospectus, among others, may impact forward-looking statements contained in this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition in conjunction with the financial statements contained in this prospectus beginning at page F-1. This discussion includes "forward-looking" statements that reflect our current views with respect to future events and financial performance. We use words such as we "expect," "anticipate," "believe," and "intend" and similar expressions to identify forward-looking statements. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties inherent in future events, particularly those risks identified in the "Risk Factors" section of this prospectus, and should not unduly rely on these forward looking statements.

Overview

Since our inception in October 2000, VioQuest Pharmaceuticals, Inc. (formerly Chiral Quest, Inc.) has provided pharmaceutical and fine chemical companies in all stages of the product lifecycles with innovative chiral products and services (as used herein, the "Company" refers to VioQuest Pharmaceuticals, Inc. or VioQuest Pharmaceuticals, Inc. together with its subsidiaries). Since August 2004, the Company has provided such products and services through its wholly-owned subsidiary, Chiral Quest, Inc. Chiral Quest, Inc. develops chemical catalysts used in the synthesis of desired isomers of chiral molecules using asymmetrical catalysis technology (the "Technology") owned by the Pennsylvania State University Research Foundation ("PSRF"), the technology arm of The Pennsylvania State University ("Penn State"). Chiral Quest, Inc. has a worldwide, exclusive license from PSRF for the inventions covered by the license. The original license agreement was entered into on November 8, 2000.

In August 2004, the Company formed VioQuest Drug Development, Inc., a wholly-owned subsidiary, which will focus on acquiring and bringing to market therapies for oncology, metabolic and inflammatory diseases and disorders that are current unmet medical needs. To date, VioQuest Drug Development, Inc. has not yet acquired any product candidates, has not realized any revenue and has not incurred materially related any expenses.

Through September 30, 2005, the Company has generated sales revenue through Chiral Quest's but not any net profits. Management believes that the Company's research and development ("R&D") and manufacturing capacity will need to continue to grow through the commercialization of our ligands and catalysts, and the development of our next generation of technological products of building blocks, in order for the Company to be able to obtain significant licensing and manufacturing agreements with large fine chemical and pharmaceutical companies. Management believes that Chiral Quest's manufacturing capacity will be enhanced with its expanded office and laboratory space located in Monmouth Junction, New Jersey that was leased in May 2003, in addition to the leased space located in Jiashan, China.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Since inception, the Company has incurred an accumulated deficit of $11,497,897 through September 30, 2005. For the nine months ended September 30, 2005, the Company had a net loss of $4,063,134. As of September 30 2005, the Company had a working capital deficiency of $1,267,295 and cash and cash equivalents of $261,782. Management expects the Company's losses to increase over the next several years, primarily due to the costs related to the development and commercialization of our two recently-acquired two anti-cancer therapeutic compounds, in addition to the expansion of our research and development programs, the hiring of additional chemists, and the expansion of our manufacturing capabilities. There can be no assurance that the Company will ever be able to operate profitably.

The Company's ability to achieve profitability depends upon, among other things, its ability to discover and develop products (specifically new "ligands"), and to develop its products on a commercial scale through a cost effective and efficient process. To the extent that the Company is unable to produce, directly or indirectly, ligands in quantities required for commercial use, it will not realize any significant revenues from its technology. Moreover, there can be no assurance that it will ever achieve significant revenues or profitable operations from the sale of any of its products or technologies.

On October 18, 2005, the Company sold 11,179,975 Shares of its common stock at a price of $0.75 per share resulting in gross proceeds of approximately $8.4 million. In addition to the shares of common stock, the investors also received 5-year Warrants to purchase an aggregate of 4,471,975 shares at an exercise price of $1.00 per share. In connection with the private placement, the Company paid an aggregate of approximately $587,000 in commissions to Paramount BioCapital, Inc., which served as the placement agent in connection with the offering, together with an accountable expense allowance of $50,000, and issued 5-year warrants to purchase an aggregate of 1,117,997 shares of common stock at a price of $1.00 per share. Net proceeds to the Company after deducting placement agent fees and other expenses relating to the private placement, were approximately $7.8 million. The Company believes that the net proceeds received of approximately $7.8 million will provide adequate capital at least through September 30, 2006, to fund the Company's general operations, drug development activities, and the necessary funds required for the further development of the Chiral Quest operation.

The Company's combined capital requirements will depend on numerous factors, including: acquiring, developing and commercializing therapies for oncology, metabolic and inflammatory diseases and disorders, competing technological and market developments, changes in our existing collaborative relationships, the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights and the outcome of any potentially related litigation or other dispute, the purchase of additional capital equipment, acquisition of technologies, the establishment and funding of the Chiral Quest, Jiashan, China facility, and the development and regulatory approval progress of its customers' product candidates into which the Company's technology will be incorporated, in addition to the costs associated with the drug development process related to acquiring, developing and commercializing a drug candidate.

On October 18, 2005, we acquired Greenwich Therapeutics, Inc., a privately-held biotechnology company with exclusive license rights to develop and commercialize two anti-cancer therapeutic candidates - VQD-001, sodium stibogluconate ("SSG") and VQD-002, triciribine ("TCN"). We acquired Greenwich in furtherance of our plan to expand our business into drug development. As a result of this acquisition, we will immediately undertake to fund the development of SSG and TCN, which will significantly increase our expected cash expenditures over the next 12 months and thereafter. The completion of development of VQD-001 and VQD-002, both of which are only in early stages of clinical development, is very lengthy and expensive process. Until such development is complete and the U.S. Food and Drug Administration (or the comparable regulatory authorities of other countries) approve VQD-001 and VQD-002 for sale, we will not be able to sell these products until such approval is obtained.

Results of Operations - For the Nine Months Ended September 30, 2005 vs. September 30, 2004

Our revenues for the nine months ended September 30, 2005 were $2,636,124 as compared to $1,102,388 for the nine months ended September 30, 2004. For the nine months ended September 30, 2005, substantially all of our revenue was derived from customized process development services sold to third parties (accounting for 84% of total revenue), sales of our catalysts and ligands (14% of total revenue) and feasibility screening reports provided to clients (2% of total revenue); and 2% of total revenue was derived from the amortization of option fee income pertaining to the licensing of our intellectual property.

The overall increase for the nine months ended September 30, 2005 compared to the same period in 2004 is attributable primarily from a three fold increase in customized process development services. In addition, the increase in 2005 revenues is also attributable to our selling and production capabilities having transitioned from an academic Research and Development sales volume level, to a commercial sales volume quantity level for our ligands, catalysts, and customized process development services.

For the nine months ended September 30, 2004 approximately 92% of total revenue was derived from sales of our ligands, feasibility screening and customized process development services sold to third parties and 8% of total revenue was derived from the amortization of option fee income pertaining to the licensing of our intellectual property. It is anticipated that sales of our ligands, molecular building blocks and customized chiral services will continue to comprise a greater percentage of our revenues in the future as we expand our manufacturing capabilities.

Our gross profit decreased for the nine months ended September 30, 2005 as compared to September 30, 2004 as a result of our 2005 nine month revenues being significantly derived from customized process development services versus a greater percentage of our revenues derived from sales of our catalysts and ligands for the nine months ended September 30, 2004. The primary reason gross profit decreased from approximately 48% for the nine months ended September 30, 2004 as compared to a 36% gross margin for the nine months ended September 30, 2005 is a result of a greater proportion of the Company's sales attributed to customized process development services for the nine months ended September 30, 2005 versus a greater portion of sales for the nine months ended September 30, 2004 which were attributed to license fee income, sales of our ligands and catalysts and feasibility screening reports, producing higher margins.

Cost of goods sold for the nine months ended September 30, 2005 was $1,678,928 as compared to $569,598 during the nine months ended September 30, 2004. The increase in cost of goods sold is attributed to increased sales, associated manufacturing costs for materials used in production for the increased shipments of projects during the third quarter ended September 30, 2005, along with the allocation of direct labor and overhead expenses to cost of sales.

Management and consulting fees for the nine months ended September 30, 2005 were $707,423 as compared to $363,848 during the nine months ended September 30, 2004. Management and consulting fees consist of the consulting agreement with our Chief Technology Officer at a rate of $10,000 per month effective May 15, 2003. Management and consulting fees also consists of approximately $352,000 of stock option charges resulting from the fair value of options issued to consultants, and scientific advisory board members granted during the second, third and fourth quarters of 2003 accounted for under variable accounting. Additionally, management and consulting fees increased $190,000 from the Company awarding 200,000 restricted shares of its common stock to a consultant. This increase in management and consulting fees is also a result of the Company utilizing the consulting services of a Ph.D. scientist with expertise in chiral technology, located in China providing services for the Chiral Quest Jiashan operation. Consulting fees also increased as a result of the Company hiring the services of a consultant to provide data and analysis pertaining to the Company's due diligence process of acquiring drug compounds. The increased management and consulting expenses have been offset by a decrease in management expenses, charged by Paramount BioCapital LLC, for administrative services which are no longer required by the Company.

Our R&D expenses for the nine months ended September 30, 2005 were $1,196,846 as compared to $1,205,802 during the nine months ended September 30, 2004. R&D costs include the purchases of laboratory materials and supplies such as chemicals, solvents, glassware used as part of the facility's test pilot programs for the formulation and analyzing of our proprietary catalysts, ligands, and building blocks to determine their technological feasibility. R&D costs also include the sponsoring of four post doctorates at Penn State to develop reports on our technological feasibility of our proprietary technology in addition to preparing sample batches for analysis in the Monmouth Junction, NJ office. This decrease was primarily caused by a reduction in the amount of purchases of lab supplies and chemicals used as part of the facility's test pilot programs for the formulation and analyzing of our proprietary catalysts, ligands, and building blocks to determine their technological feasibility during the nine months ended

September 30, 2004 as compared to the nine months ended September 30, 2005. The agreement with Penn State, which had been extended to October 14, 2005, provides for the Company to fund services of four post-doctorate fellows who, under the supervision of the CTO, conduct research and provide research quantities of chiral products to the Company. The future obligation payable by the Company through October 14, 2005 as of the end of the agreement is approximately $36,000. This amount consists principally of four post-doctorate salaries, fringe benefits, materials and supplies for the stated period. The Company is in the process of extending the agreement with Penn State for their services.

Selling, general and administrative ("SG&A") expenses for the nine months ended September 30, 2005 were $2,958,399 as compared to $1,677,610 during the nine months ended September 30, 2004. This increase in SG&A expenses was due in part to nonrecurring recruiting fees associated with the hiring of the Company's Vice President of Corporate Business Development in July 2005, in addition to recruiting fees for the hiring of a Chief Medical Officer. SG&A also increased as a result of higher legal and accounting fees associated to the expenses related to the Company's drug development due diligence process, increased rent expense for the New Jersey facility as a result of the facility's expansions, additional spending on advertising and promotion expenses, increased travel expenses for new business development opportunities and higher administrative expenses associated with having more employees which include the President and CEO hired in February 2005, and the Vice President of Corporate Business Development hired in July 2005, in addition to other related employee costs such as increased insurance and employer payroll taxes.

Depreciation and amortization expenses for the nine months ended September 30, 2005 were $171,865 as compared to $126,227 during the nine months ended September 30, 2004. This increase was primarily related to the fixed asset purchases for office equipment, computer equipment, laboratory equipment and leasehold improvements for the leased facility and recent expansions in New Jersey, in addition to the equipment and leasehold improvement expenditures related to the newly leased Jiashan facility which has become fully operational as of May 2005.

Interest income, net for the nine months ended September 30, 2005 was $14,203 as compared to $27,053 for the nine months ended September 30, 2004. The decrease in interest income is attributed to having higher cash reserves for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2005, as a result of the funds received from the private placement of the Company's common stock in February 2004.

Our net loss for the nine months ended September 30, 2005 was $4,063,134 as compared to $2,813,644 for the nine months ended September 30, 2004. The increased net loss for the nine months ended September 30, 2005 as compared to September 30, 2004 was primarily attributable to an increase management and consulting fees resulting from variable accounting charges related to the issuance of stock options issued to consultants, including a one-time, non-cash charge for the issuance of the Company's restricted stock to a consultant, in addition to increased SG&A as a result of higher legal and accounting fees associated to the expenses related to the Company's drug development due diligence process, increased rent expense for the New Jersey facility as a result of the facility's expansions, additional spending on advertising and promotion expenses, increased travel expenses for new business development opportunities and higher administrative expenses associated with having more employees such as insurance and employer payroll taxes.

We expect losses to continue in the next year from the costs associated with the drug development process related to acquiring a drug candidate, in addition to continue to expand operations in New Jersey and in Jiashan.

Liquidity and Capital Resources

Since inception, we have incurred an accumulated deficit of $11,497,897 through September 30, 2005. For the nine months ended September 30, 2005, we had a net loss of $4,063,134. As of September 30, 2005, we had a working capital deficiency of $1,267,295 and cash and cash equivalents of $261,782. We expect losses to increase over the next several years, primarily due to the costs related to the Company's development and commercializing of our recently-acquired two anti-cancer therapeutic compounds, such as costs associated to clinical trials, regulatory approvals, uses of consultants, license milestone payments to the Cleveland Clinic Foundation and the University of South Florida and patent filing expenses, in addition to the expansion of our research and development programs, the hiring of additional chemists, and the expansion of our manufacturing capabilities. There can be no assurance that we will ever be able to operate profitably.

On October 18, 2005, the Company sold 11,179,975 Shares of its common stock at a price of $0.75 per share resulting in gross proceeds of approximately $8.38 million. In addition to the shares of common stock, the investors also received 5-year Warrants to purchase an aggregate of 4,471,975 shares at an exercise price of $1.00 per share. In connection with the private placement, the Company paid an aggregate of approximately $587,000 in commissions to Paramount BioCapital, Inc., which served as the placement agent in connection with the offering, together with an accountable expense allowance of $50,000, and issued 5-year warrants to purchase an aggregate of 1,117,997 shares of common stock at a price of $1.00 per share. Net proceeds to the Company after deducting placement agent fees and other expenses relating to the private placement, were approximately $7.8 million. The Company believes that the net proceeds received of approximately $7.8 million will provide adequate capital for a minimum of twelve months, to fund the Company's drug development activities, as well as the further development for the Chiral Quest operation.

The Company's net cash used in operating activities for the nine months ended September 30, 2005 was $2,249,202. The Company's net cash used in operating activities primarily resulted from a net loss of $4,063,134. Inventories increased as a result of the Company purchasing raw materials to be used in the production of its commercialized proprietary products of ligands and catalysts. A decrease in deferred revenue of $390,842 was attributed to the Company receiving cash collections in advance to shipments which occurred during 2005. A decrease in accounts receivable of $196,193 was a result of cash collections from prior period revenues, an increase in accounts payable of $1,448,054 was attributed to purchases for inventory, recruiting and operational expenditures, and an increase in accrued expenses of $200,280 attributed to the Company reserving for future expenditures of its bonus and vacation agreements with employees. The Company's net cash used in operating activities was offset by the following non-cash items: depreciation and amortization totaling $171,865, which was attributed to the purchases of equipment and leasehold improvements in our laboratories located in Monmouth Junction, New Jersey and Jiashan, China, $352,155 for options issued to consultants accounted for under variable accounting, and a charge of $190,000 related to the issuing of 200,000 restricted shares of the Company's common stock awarded to a consultant.

The Company's net cash used in investing activities for the nine months ended September 30, 2005 totaled $554,563, which resulted from capital expenditures of $510,370 related to the Chiral Quest, Jiashan, China laboratory expansion, and purchases of laboratory, computer and office equipment related to the New Jersey facility. Additionally, payments for intellectual property totaled $44,193.

The Company's capital requirements will depend on numerous factors, including: the costs related to developing and commercializing our two anti-cancer therapeutic compounds, in addition to the expansion of our research and development programs, the hiring of additional chemists, and the expansion of our manufacturing capabilities, competing technological and market developments, changes in our existing collaborative relationships, the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights and the outcome if any potentially related litigation or other dispute, the purchase of additional capital equipment, acquisition of technologies, the establishment and funding of Chiral Quest's, Jiashan, China facility, and the development and regulatory approval progress of its customers' product candidates into which the Company's technology will be incorporated.

Additional capital that may be needed by the Company in the future may not be available on reasonable terms, or at all. If adequate financing is not available, the Company may be required to terminate or significantly curtail its operations, or enter into arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies, or potential markets that the Company would not otherwise relinquish.

Our ability to achieve profitability depends upon, among other things, its ability to discover and develop products (specifically new "ligands"), and to develop its products on a commercial scale through a cost effective and efficient process. To the extent that we are unable to produce, directly or indirectly, ligands in quantities required for commercial use, it will not realize any significant revenues from its technology. Moreover, there can be no assurance that we will ever achieve significant revenues or profitable operations from the sale of any of our products or technologies.

In February 2004, we sold in a private placement 4.8 million shares of our common stock plus warrants to purchase an additional 2.4 million shares of common stock for aggregate gross proceeds of $7.2 million.

In October 2005, we sold in a private placement 11.2 million shares of our common stock plus warrants to purchase an additional 4.5 million shares of common stock for aggregate gross proceeds of $8.4 million. Our long term liquidity is contingent upon achieving increased sales and/or obtaining additional financing.

We have formed two China subsidiaries through which we have opened a laboratory facility in the People's Republic of China. We have provided $470,000 of capital to the China subsidiary as of September 30, 2005. We believe that by the opening of this facility in China to produce our proprietary ligands, catalysts, chemical building blocks and related compounds, we will be able to significantly decrease our manufacturing costs and expenses, enabling us to cost-effectively produce our ligands and end products in efforts to make our products substantially more competitive and even more attractive to current and potential customers. The China facility's operations have commenced as of the third quarter 2005.

In October 2005, we completed the acquisition of Greenwich Therapeutics, Inc., which holds the rights to develop and commercialize two oncology therapeutic candidates, SSG and TCN. We will immediately undertake to fund the development of these product candidates, which will significantly increase our expected cash expenditures over the next 12 months and thereafter. The development of these product candidates, both of which are only in very early stages of development, is a very lengthy and expensive process. We currently estimate that it will take approximately 3 to 4 years to complete development of SSG and that we will need to spend an aggregate of approximately $45 million until we receive FDA approval for SSG. With respect to TCN, we estimate that it will take approximately 3 or 4 years to complete development and that we will need to spend an aggregate of approximately $25 million until FDA approval is obtained. Such estimates are subject to numerous risks and uncertainties, however, including lack of adequate financing, unforeseen safety risks, failure of clinical trials to support our product candidate claims, determination of dosing issues, lack of effectiveness during clinical trials, slower than expected rates of patient enrollment, an inability to monitor patients during or after enrollment. See "Risk Factors."

Critical Accounting Policies

Impairment of Intellectual Property Rights

The Company evaluates the recoverability of its long-lived assets, where indicators of impairment are present, by reviewing current and projected profitability or undiscounted cash flows of such assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Intangible assets not subject to amortization are tested for impairment at least annually. For the years ended December 31, 2004 and 2003, the Company determined that impairment to its long-lived assets did not occur. Accordingly, no impairment loss was recorded for the years ended December 31, 2004 and 2003.

Revenue Recognition

Revenues are comprised principally of four main components: (1) the licensing of PSRF's technology, (2) the sale of proprietary ligands and catalysts, (3) feasibility screening, and (4) custom contract development. Revenues as they relate to the licensing of the Company's rights to PSRF's intellectual property are recognized upon over the applicable license periods. The Company assumes the financial risks related to these revenues by financing the research and development of PSRF's technology as well as the defense of PSRF's patents. Deferred revenue in the accompanying consolidated balance sheets represents amounts prepaid by customers to the Company for services to be performed and products to be delivered at a subsequent date. These deferred amounts will be recognized as revenue when earned. Revenues as they relate to the sale of manufactured proprietary ligands and catalysts are recognized upon the shipment of the ligands to the customer. Revenues as they relate to feasibility screening are recognized upon the completion of project reports and investigational studies. Revenues as they relate to custom contract development are recognized upon the shipment of finished products.

Accounting for Stock-Based Compensation

The Company accounts for its employee and director stock option plans in accordance with APB 25, "Accounting For Stock Issued To Employees," and related interpretations. The Company measures compensation expense for employee and director stock options as the aggregate difference between the market value of its common stock and exercise prices of the options on the date that both the number of shares the grantee is entitled to receive and the exercise prices are known. Compensation expense associated with restricted stock grants is equal to the market value of the shares on the date of grant and is recorded pro rata over vesting period.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Recently Issued Accounting Standards

In December 2004, the FASB issued SFAS No. 123R "Accounting for Stock-Based Compensation." SFAS 123R establishes standards for the accounting for transactions in which, an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires that the fair value of such equity instruments, including employee stock options, be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS 123R, only certain pro forma disclosures of fair value were required. SFAS 123R shall be effective for the Company as of January 1, 2006. The Company is evaluating the impact of this pronouncement and its effects on our financial statements.

OUR COMPANY

Overview

We engage in two businesses: drug development and chiral technology. Our drug development business focuses on the acquisition of rights to develop and commercialize pharmaceutical drug candidates, particularly candidates for use in oncology. Our chiral business provides innovative chiral products, technology and services to pharmaceutical and fine chemical companies in all stages of a product lifecycle.

Through our drug development business, we aim to acquire, develop, and commercialize innovative products for the treatment of important unmet medical needs in cancer and immunological diseases. Through our acquisition of Greenwich Therapeutics, Inc. in October 2005, we obtained the rights to develop and commercialize two oncology drug candidates - Sodium Stibogluconate, also called “SSG,” and Triciribine, or “TCN.”

SSG is a pentavalent antimonial drug that we believe acts as an inhibitor to the enzymatic action of multiple protein tyrosine phosphatases, or PTPases, which are enzymes involved in the intracellular signaling pathways of a number of receptor tyrosine kinases involved in controlling cell growth, proliferation and differentiation. By inhibiting the enzymatic action of certain PTPases, it is believed that SSG may be effective in triggering apoptosis, or cell death, in malignant cancer cells. This potential effect on cancer cells, coupled with its apparent ability to empower the immune system and its modest toxicity profile, indicate to us that SSG is an ideal drug to evaluate as an anti-cancer agent. To date, we have not submitted any application to the FDA, although CCF has filed an investigator IND which has been accepted by the FDA, and pursuant to which it is conducting a clinical trial in SSG.

TCN is a nucleoside analog which we believe inhibits Akt, a serine/threonine protein kinase. Though not normally active in human cells, Akt is typically hyperactivated, or hyperphosphorylated, in many tumor types. Since Akt has been shown to play a critical role in malignant transformation by inducing cell survival, growth, migration, and angiogenesis, and since research demonstrates disruption of the Akt pathway leads to apoptosis and inhibition of tumor growth, we believe that Akt is an attractive therapeutic target. Therefore, if TCN inhibits Akt, as available research indicates, we believe that TCN may be effective in the treatment of certain malignancies.

Our chiral business offers two main lines of products and services through our subsidiary, Chiral Quest, Inc. - proprietary chiral catalysts and chiral building blocks or client-defined molecules. We have the rights to certain chemical compounds known as chiral ligands which, with the introduction of a metal, serve as catalysts in facilitating the production of chiral molecules in such a manner that there is a preferential manufacture of the desired molecule versus the unwanted mirror-image molecule. We provide pharmaceutical and fine chemical manufacturers and other prospective clients with broad access to our technologies for testing purposes at a low upfront cost, coupled with the opportunity to gain access to such technologies for specific applications for fees, royalties and certain manufacturing and development rights. Our ligands may also find use in producing fine chemicals other than pharmaceuticals - chiral molecules are used in flavors, fragrances, agrochemicals, animal health, food and feed additives (including vitamins) and nutraceuticals. In connection with our chiral technology, we provide specialized services to pharmaceutical, biotechnology and fine chemical companies relating to the development of chiral manufacturing processes for their products. We are also engaged in developing and making client-defined building blocks and drug candidate fragments, mainly in the chiral area. With this process chemistry offering to life sciences companies, we develop new synthetic routes or optimize existing ones and produce certain quantities of material for further processing at the clients’ needs either for further elaboration, clinical trials or beyond.

Our proprietary chiral technology was developed by Dr. Xumu Zhang, a professor at Pennsylvania State University ("Penn State") and is owned by the Penn State Research Foundation ("PSRF"), the technology development arm of Penn State. In November 2000, we obtained from the PSRF an exclusive, worldwide license to certain patents based on Dr. Zhang's research relating to asymmetrical catalysis. This license gives us the right to, among other things, sub-license technology rights on a non-exclusive basis to clients, or sell molecule groups, known as ligands, to pharmaceutical and fine chemical company clients for both research and commercial applications.

We are a Delaware corporation that resulted from the reverse merger of Chiral Quest, LLC, a Pennsylvania limited liability company that commenced operations in October 2000, and Surg II, Inc., a Minnesota corporation, on February 18, 2003. In October 2005, we reincorporated under the laws of the State of Delaware.

Drug Development Business

Cancer is the second leading cause of death in America. In the U.S., half of all men and one third of all women will develop cancer at some point in their lives. Since 1990, over 17 million new cancer cases have been diagnosed. A number of drugs are used in the treatment of cancer. These drugs are used to reduce pain, prolong the life of the patient, send the cancer into remission or eliminate the cancer completely. There is great opportunity for improvement in all types of cancer treatment. Recognizing this vast health and commercial opportunity, we acquire, develop, and commercialize innovative products for the treatment of important unmet medical needs in cancer and immunological diseases.

Definition of Cancer

Cancer develops when abnormal cells in the body begin to grow out of control. These cancer cells will outlive normal cells and go on to form additional cancerous cells. The danger is that these cells will often travel to other parts of the body and replace normal tissue, a process called metastasis. Frequently, these metastases ultimately lead to a patient's death. Although the exact cause of cancer is still uncertain, it is believed that genetics and environmental toxins play a role.

The American Cancer Society estimates that 1,372,910 new cases of cancer will be diagnosed in 2005 alone. The National Institute of Health estimated an overall cost of cancer to be $189.8 billion in 2004. This cost includes $69.4 billion in direct medical expenses, $16.9 billion in indirect morbidity costs, and $103.5 billion in indirect mortality costs. This year, 570,280 deaths are expected to be due to cancer or one in four deaths in the US. For all types of cancer diagnosed between 1995 and 2000 combined, the 5-year relative survival rate is 64%. A list of incidence rates of leading cancers in the US can be found on the following page.

Sodium Stibogluconate (SSG)

SSG is a pentavalent antimonial drug that has been used for over 50 years in parts of Africa and Asia for the treatment of leishmaniasis, a protozoan disease. Recent research at the Cleveland Clinic has revealed the mechanism of action of SSG. Based on such research, we believe that SSG acts by inhibiting the enzymatic action of multiple protein tyrosine phosphatases, or PTPases, specifically, the SRC homology PTPase (SHP-1). PTPases are enzymes involved in the intracellular signaling pathways of a number of receptor tyrosine kinases involved in controlling cell growth, proliferation and differentiation. SHP-1 is a PTPase involved in the regulation of intracellular signaling in hematopoietic cells, and mutations in this enzyme in cancerous cells leads to hyper-responsiveness to normal stimuli, and thus cancerous transformation. By inhibiting the enzymatic action of the SHP-1 protein tyrosine phosphatase, it is believed that SSG may be effective in triggering apoptosis, or cell death, in malignant cancer cells. However, future tests might not corroborate the results of these tests. To date, we have not submitted any application to the FDA, although the Cleveland Clinic has filed an investigator IND which has been accepted by the FDA, and pursuant to which it is conducting a clinical trial in SSG.

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Preclinical Data

We believe, based on the results of in vivo testing of SSG in mice to date, that SSG has anti-proliferative effects against a broad number of tumor cell lines, including melanoma and renal cell carcinoma. These effects were seen whether used as part of a combination therapy with existing treatments, including interferon and interleukin-2. In addition, based on preclinical data, we believe that SSG has promise as a monotherapy to treat certain other tumor types, including prostate cancer. The preclinical data suggests that SSG utilizes multiple modes of action, including having a direct effect on cancer cells, as well as generally empowering the immune system. These multiple modes of action, along with SSG's historical modest toxicity profile, indicate to us that SSG is an ideal drug to evaluate as an anti-cancer agent.

Potential Lead Indication of SSG

The standard of care for solid tumors, lymphoma, myeloma and certain other hematological malignancies, such as low-grade lymphoma and chronic myelogenous leukemia, includes Interferon alpha-2b, or IFN a-2b. However, many patients treated with IFN a-2b become refractory, or non-responsive to continued treatment. In addition, the toxicity profile of IFN a-2b often limits its clinical efficacy. We believe that the effectiveness of this existing treatment may be improved by utilizing SSG as a combination therapy with IFN a-2b. Specifically, we believe that SSG, due to its demonstrated ability to inhibit PTPases, will augment the anti-proliferative activity and improve the efficacy of IFN a-2b therapy. Therefore, we believe that the efficacy shown in preclinical studies by SSG in combination therapy with IFN a-2b, when considered with its acceptable historical safety profile, may position it well as a combination therapy effective in treating solid tumors and certain other hematological malignancies.

Clinical Development

SSG is currently being studied in a twenty-four patient Phase I clinical trial at the Cleveland Clinic Taussig Cancer Center for combination therapy using IFN a-2b paired with SSG in the treatment of refractory solid tumors, lymphoma and melanoma. The primary objective of this clinical trial is to confirm the tolerance, safety and maximum tolerated dose, or MTD, of SSG in combination with IFN a-2b. In addition, the trial will also provide pharmacokinetic data and may provide anecdotal indicators of efficacy, although the trials will not be designed to measure or demonstrate efficacy. This clinical trial is expected to be completed by the second quarter of 2006. The Cleveland Clinic intends to fund all costs associated with this clinical trial although we may incur costs relating to the completion of this trial as the Cleveland Clinic has no specific obligation to us to fund this trial. If the Cleveland Clinic determines to discontinue the trials, we intend to continue product testing at an alternative facility such as a medical center or university to run our clinical trials. In order for us to sponsor clinical trials, however, it will be necessary for us to submit our own IND to the FDA. Pending a successful completion of this Phase I clinical trial, we anticipate initiating a Phase II trial in the second half of 2006. The Phase II trial will be designed to provide information concerning efficacy, among other information. Prior to a initiating the Phase II trial, we will need to apply for approval with the IRB ("Institutional Review Board") and the Principal Investigator to run the study. There may potentially be delays in receiving this approval, such as unforeseen safety issues and dosing issues.

Advantages Over Existing Developmental Therapeutics

Potential advantages of SSG over existing therapies include SSG's long history of use, favorable toxicity and side effect profiles, and efficacy in refractory preclinical cancer models. As previously discussed, SSG has been utilized in the treatment of leishmaniasis for over fifty years in parts of Africa and Asia. In connection with such use, SSG has demonstrated favorable toxicity and side effect profiles, at dosages well in excess of the dosages we intend to utilize in our clinical trials using SSG in the treatment of cancer. Also, based on preclinical in vivo cancer models, we believe that SSG may have better efficacy in treating refractory cancer than existing standards of care.

Competition

To our knowledge, no clinically feasible inhibitors of such PTPases have previously been demonstrated to be effective to treat cancer. CombinatoRx, Incorporated, a privately held biotechnology company, is developing a clinical drug candidate containing Pentamidine + Thorazine. Pentamidine may also be a PTPase inhibitor and has also previously been used for the treatment of leishmaniasis. Hoffman-La Roche Inc. and Wyeth are investigating PTPase inhibitors for the potential treatment of non-insulin dependent diabetes.

Triciribine (TCN)

Triciribine, or TCN, is a nucleoside analog that had been under development for many years as an anti-cancer therapy and as an anti-viral therapy. The National Cancer Institute, or NCI, previously advanced TCN into clinical trials in oncology in the 1980s and 1990s. While an anti-cancer signal was seen in these clinical trials in various tumor types, including sarcoma, colorectal, hepatic and breast cancers, the drug was limited by its side effect profile (specifically, hyperglycemia and hepatotoxicity). Recently, investigators at the Moffitt Cancer Center at the University of South Florida screened a library of over 2,000 compounds for Akt (Protein Kinase B) inhibition, and TCN had the strongest signal at low dose concentrations. We believe that this discovery shows that the anti-cancer mechanism of action of TCN involves the inhibition of Akt. Though not normally active in human cells, Akt, a serine/threonine protein kinase, is typically hyperactivated, or hyperphosphorylated, in many tumor types. Since Akt has been shown to play a critical role in malignant transformation by inducing cell survival, growth, migration, and angiogenesis, and since research demonstrates disruption of the Akt pathway leads to apoptosis and inhibition of tumor growth, we believe that Akt is an attractive therapeutic target. Therefore, if TCN inhibits Akt, as available research indicates, we believe that TCN may be effective in the treatment of certain malignancies. Future tests might not corroborate the results of these tests. To date, no application has been submitted or is expected to be submitted to the FDA in the near future.

Preclinical Data

We believe that the in vitro preclinical experiments performed to date on human tumor cell lines and in vivo experiments in nude mice xenograft experiments demonstrate that TCN inhibits cancer cell growth and induces apoptosis, or cell death, in cancer cells that express elevated Akt. Moreover, since TCN had little effect in these preclinical models on cancer cell lines in which Akt was not overexpressed, or elevated, we believe that TCN's anticancer mechanism is through the inhibition of Akt in tumors that express elevated Akt levels, by directly and irreversibly binding the Akt receptor. Furthermore, the effectiveness of the low doses used in these preclinical experiments suggests that the side effects prevalent in previous clinical trials conducted by the NCI may be minimized.

Potential Lead Indication of TCN

The efficacy of TCN as an anti-cancer drug in previous clinical trials was limited by the side effects associated with its usage. We believe, however, that these side effects were closely related to the high dosage levels used in these trials. In addition, we believe that the hyperglycemia seen as a side effect may have resulted from TCN's mechanism of action on Akt, as recent preclinical studies have shown that a deficiency of Akt impairs the ability of insulin to lower blood glucose, which could lead to a hyperglycemic condition. The previous NCI-sponsored clinical trials used dosages that ranged up to 256mg/m2, and these trials targeted tumors without regard to whether such tumors overexpressed Akt, since, at the time of such trials, the mechanism of action for TCN was not fully understood. We believe that, based on the preclinical studies conducted to date, TCN effectively and selectively induces apoptosis and inhibits growth in tumor cells with elevated levels of Akt at doses lower than those used in the previous clinical trials. Therefore, we believe that by selectively screening and treating only those patients with tumors that overexpress Akt, TCN in low doses may achieve tumor inhibition and regression without the significant side effects previously associated with its usage at higher dose levels. As a result, our initial potential lead indication for TCN will be for the treatment of solid tumors known to overexpress Akt, which constitute a significant percentage of all colorectal, ovarian, pancreatic and breast tumors.

Additional Potential Indications for TCN

While TCN continues in clinical development for solid tumors that overexpress Akt, we intend to continue evaluating, in consultation with our Scientific Advisory Board, management team and other consultants, TCN's potential in treatment for hematological and other malignancies. We intend to continue the preclinical and clinical development of TCN in those indications in which we believe it shows potential.

Clinical Development

We are currently finalizing a protocol for a Phase I clinical trial to be conducted at the Moffitt Cancer Center at the University of South Florida for TCN in the treatment of metastatic colorectal, pancreatic, breast and ovarian tumors. We expect that each patient enrolled in the clinical trial will have refractory solid tumors that have demonstrated hyperphosphorylated, or overexpressed, Akt on archived pathology samples. The primary objective of this clinical trial will be to confirm the tolerance, safety and maximum tolerated dose, or MTD, of TCN. In addition, the trial will also provide pharmacokinetic data and may provide us with anecdotal indicators of efficacy, although the trials will not be designed to measure or demonstrate efficacy. It is expected that this clinical trial will begin in late 2005 and will take approximate 6 to 9 months to complete. Pending a successful completion of this Phase I clinical trial, we anticipate initiating a Phase II trial in the second half of 2006. Prior to a initiating the Phase II trial, we will need to apply for approval with the IRB "Institutional Review Board" and the Principal Investigator to run the study. There may potentially be delays in receiving this approval such as unforeseen circumstances in Phase I, unforeseen toxicities, etc. There may potentially be delays in receiving this approval such as unforeseen safety issues and dosing issues.

Advantages over Existing Developmental Therapeutics

The planned clinical trials utilizing TCN in patients that have demonstrated tumors that express elevated Akt is a strategy that we believe offers significant advantages over classic anticancer therapies. Our research indicates to us that low dose treatment with TCN directly binds the Akt molecule. This will target cancer cells specifically, while sparing healthy cells, resulting in fewer side effects. This "targeted therapy" takes advantage of the biologic differences between cancer cells and healthy cells. We expect this approach to result in a decreased number of patients required to see a clinical effect, as we predict that a larger percentage of the patients treated will benefit from treatment with TCN. We expect that this will decrease both the clinical trial regulatory time period, and also the costs associated with such clinical trials, as compared to other anticancer products currently in clinical development.

Competition

There is currently no approved Akt inhibitor on the market. Keryx Biopharmaceuticals, Inc. is developing Perifosine. Perifosine is an alkylphospholipid that has been shown to inhibit the PI3K/Akt pathway, but research to date has not demonstrated that it directly binds the Akt molecule. Multiple pharmaceutical companies have Akt inhibitors in the early discovery stage of development, including Abbott Laboratories, Merck & Co., Inc. and Eli Lilly.

Chiral Business

Over 50 percent of the 500 top-selling pharmaceutical drugs on the market are comprised of chiral molecules, including drugs used to treat anxiety, depression, indigestion, heartburn, cancer, arthritis, AIDS and allergies. In 2004, chiral drug sales were over $175 billion, based on a report in *SRI Consulting,* which represents over one third of the complete drug market of over $470 billion. The majority of new drug candidates under development by pharmaceutical companies consist of chiral chemicals.

A molecule is considered “chiral” because it exists in two “enantiomers,” or non-superimposable mirror-like images analogous to one’s left and right hands. Most drugs interact with biological targets in a specific manner, requiring the drug to be of a specific shape and orientation. Contaminating “wrong-handed” enantiomers of the active drug molecule will probably not interact with the biological drug target, or worse, interact with a different biological molecule in an unintended and often toxic manner. Thalidomide, the morning sickness drug used by pregnant women in the 1960’s, is a notorious example of an impure chiral drug. One enantiomer of the drug’s chiral molecules treated morning sickness, while its undesired enantiomer impurity caused birth defects. Pharmaceutical companies are typically required, at great expense, to purify the active mirror-image form of the drug molecule away from its contaminating or inactive counterpart.

Products and Services

We offer two business lines through our Chiral Quest subsidiary, one in products and one in services in order to provide clients with critical solutions for the efficient manufacturing of chiral products or therapeutic drugs. Its products include bulk chiral catalysts, proprietary building blocks / client-defined targets and a proprietary “Chiral ToolKit”, comprised of a diverse set of chiral ligands that are combined with transition metals to catalyze reactions leading to chiral molecules. Chiral Quest also offers a variety of services covering specialized chiral transformation screening, chiral synthetic or process support and manufacturing solutions to be delivered on a partnership/contract basis with client firms. Chiral Quest products and services are applicable throughout the full life cycle of a chiral drug, from early lead discovery, through development and in commercialization.

The Chiral Quest "CQ" Chiral Library depicted below identifies the current commercial portfolio of proprietary ligands from which clients order both the Chiral ToolKit selection sets for Research and Development testing as well as bulk quantities for larger scale uses and commercialization.

Chiral ToolKit. We currently sell products which represent several of the proprietary families of our chiral ligands to which the Company has exclusive rights. These ligands are sold in research quantities packaged in convenient Chiral ToolKit sets for exclusive use in research applications by client companies. These innovative, patent protected ligands are screened by clients for applications in the manufacture of their chiral molecules. Clients use this screening process to determine which ligands may prove optimal for their chiral manufacturing needs. The sale of research quantities of ligands allows clients to gain initial access to our technology and to independently validate the advantages provided by that technology.

Bulk Ligands. We also sell larger quantities of proprietary chiral ligands to which we have exclusive rights, including some that are not included in our Chiral ToolKit. These ligands are sold individually to clients in amounts specified by the client according to its research, development or semi-commercial needs. One of our objectives is to provide clients with their required ligands and catalysts, either from our own laboratories or through third parties, for research, clinical and commercial purposes. The use of CQ bulk ligands in commercial drug applications will generally require license fees and/or other related payments to us, subject to negotiation.

Screening Services. We also provide focused screening of client supplied target compounds using our proprietary ligands. In addition to the select ligands included in the Chiral ToolKit, we have several families of chiral ligands that are used to screen target compounds. We identify and prepare individual ligands optimized for particular client needs.

Proprietary Building Blocks / Client-Defined Targets. We work with our clients to help optimize the conditions under which our ligands are used and also produce certain molecules of customer interest. This may involve the development of novel manufacturing processes, for which we will derive additional compensation. We may also structure our client agreements to assure the use of our ligands within the manufacturing process, thereby requiring our customers to buy the ligands from us in commercial quantities in order for the client to successfully manufacture its compound. We may also produce and sell certain selected chiral products defined by our clients such as chiral building blocks or intermediates.

Strategy

Our business strategy is focused on exploiting our asymmetric catalysis technology by:

- Focusing our research group on designing and discovering additional commercially useful ligands and manufacturing processes;
- Providing screening services necessary to test the selectivity and activity of a broad portfolio of proprietary technologies for client substrates;
- Granting access to a selection of our ligands through non-exclusive licenses for research and development purposes;
- Granting compound-specific exclusive rights to clients whose businesses require commercial use of one or more of our ligands;
- Developing proprietary process methods for producing chirally pure pharmaceutical ingredients, intermediates and building blocks in exchange for fees, milestone payments and royalties; and
- Assisting clients in the development of chiral drugs, the development of which has been slowed or halted due to manufacturing inefficiencies, which are amenable to improvements through our technology.

Sales and Marketing

We sell our products and services directly to clients both in the pharmaceutical and fine chemical areas. In October 2003, and January 2005, we hired a senior executive and Vice President of Business Development respectively who are focused on sales and marketing activities. We intend to hire additional marketing personnel in the near future.

Dependence on Certain Customers

In fiscal 2004, we had two customers that accounted for approximately 34 percent and 26 percent of our revenue, a major pharmaceutical company and biotech company respectively. The loss of these accounts would have a material adverse effect on our business; however, we believe our relationships with these customers are strong.

Competition

Competition in the traditional area of separation manufacture of chiral molecules comes from a few distinct sources, including Chiral Technologies Inc., ChromTech Ltd., NovaSep, Inc. and Advance Separation Technologies Inc. Traditional methods of manufacturing chiral molecules involve the production of a mixture of both chiral forms of molecules of interest, followed by a process which separates the desired enantiomer from the undesired enantiomer. This methodology, though still commonly used, is extremely cost-ineffective, as it results in the loss of greater than 50 percent of the intermediate product at each chiral purification step. We believe we have a competitive advantage over companies using traditional methods of separation because our technology drives the preferential manufacture of chiral enantiomers of interest, which can result in 95 to 99 percent yields. This can result in significant cost savings in the manufacturing process, particularly for chiral molecules that may require several chiral separation steps by traditional methods.

In the area of chemical catalysts for chiral drug manufacture, we compete with pharmaceutical and fine chemical companies, including our current and potential clients and collaborators, academic and research institutions. Some of these companies include the Dow Chemical Company, Degussa AG, Rhodia ChiRex Inc. and Solvias AG. Many of these companies are developing or marketing technologies and services similar to the ones developed or offered by us. We anticipate continued competition from other manufacturers of chiral catalysts in the future.

Some of our competitors, such as Codexis, a wholly owned subsidiary of Maxygen, or Diversa Corporation, attempt to genetically modify biological enzymes for the purpose of serving as biological catalysts for asymmetric chiral manufacturing. While this approach works in certain circumstances, it is extremely time-consuming to develop for each individual manufacturing process. We believe our technology has the competitive advantage of being more broadly applicable to a number of common asymmetric transformations.

Intellectual Property and License Agreements

License with the Penn State Research Foundation. We have an exclusive, worldwide license from the PSRF to certain chiral technologies developed by Dr. Zhang. The license agreement has been amended on five occasions, four of which provide us with additional rights, including the rights to new patent applications. The PSRF license agreement grants us rights to any conversions, re-issues, extensions, divisional applications, continuations, continuations in part, and any patents issuing thereon, and any improvements to the licensed patents. Under the license agreement, the PSRF received an equity stake in our Company as partial consideration for the license. The license agreement also obligates us to reimburse the PSRF for its patent expenses relating to the licensed technology.

The PSRF license agreement requires us to use our reasonable best efforts to achieve annual gross revenue of $250,000 in calendar year 2004, which we achieved, and at least $350,000 in calendar year 2005, and at least $500,000 in calendar year 2006. Should we fail to obtain these milestones, the PSRF has the right, but not the obligation, to terminate the license agreement on the grounds that we failed to use our best efforts to achieve those milestones.

Additionally, in accordance with the license agreement, the PSRF'S obligation to license to us, at no additional cost, any new technology subsequently discovered by Dr. Zhang and the other researchers at Penn State expired on November 8, 2002. Accordingly, if Dr. Zhang develops a new invention that does not constitute an "improvement" on the existing patent rights, then we will have to license the right to such invention from the PSRF.

License with The Cleveland Clinic Foundation. We have an exclusive, worldwide license agreement with CCF for the rights to develop, manufacture, use, commercialize, lease, sell and/or sublicense SSG. We are obligated to make an annual license maintenance payment of $35,000 until the first commercial sale of SSG, at which time we are no longer obligated to pay this maintenance fee. In addition, the license agreement requires us to make payments in an aggregate amount of up to $4.5 million to CCF upon the achievement of certain clinical and regulatory milestones. Should SSG become commercialized, we will be obligated to pay CCF an annual royalty based on net sales of the product. In the event that we sublicense SSG to a third party, we will be obligated to pay CCF a portion of fees and royalties received from the sublicense. We hold the exclusive right to negotiate for a license on any improvements to SSG and have the obligation to use all commercially reasonable efforts to bring SSG to market. We have agreed to prosecute and maintain the patents associated with SSG or provide notice to CCF so that it may so elect. The license agreement shall automatically terminate upon Greenwhich's bankruptcy and upon the date of the last to expire claim contained in the patents subject to the license agreement. The license agreement may be terminated by CCF, upon notice with an opportunity for cure, for our failure to make required payments or its material breach, or by us, upon thirty day's written notice.

License with the University of South Florida Research Foundation, Inc. We have an exclusive, worldwide license agreement with USF for the rights to develop, manufacture, use, commercialize, lease, sell and/or sublicense Triciribine, or TCN. Under the terms of the license agreement, we have agreed to sponsor a research project involving TCN in the amount of $25,000 annually for the term of the license agreement. In addition, the license agreement requires us to make payments in an aggregate amount of up to $5.8 million to USF upon the achievement of certain clinical and regulatory milestones. Should a product incorporating TCN be commercialized, we are obligated to pay to USF an annual royalty based on net sales of the product. In the event that we sublicense TCN to a third party, we are obligated to pay USF a portion of fees and royalties received from the sublicense. We hold a right of first refusal to obtain an exclusive license on any improvements to TCN and have the obligation to use all commercially reasonable efforts to bring TCN to market. We have agreed to prosecute and maintain the patents associated with TCN or provide notice to USF so that it may so elect. The license agreement shall automatically terminate upon Greenwhich's bankruptcy or upon the date of the last to expire claim contained in the patents subject to the license agreement. The license agreement may be terminated by USF, upon notice with an opportunity for cure, for our failure to make required payments or its material breach, or by us, upon six month's written notice.

Patents. We have an exclusive license to 13 United States patent applications filed by the Penn State Research Foundation covering many classes of ligands. The U.S. Patent and Trademark Office ("PTO") has issued seven (7) letters of patents in connection with these applications (i.e., U.S. Pat. Nos. 6,380,392, 6,525,210, 6,521,769, 6,337,406, 6,576,772, 6,534,657 and 6,653,485). In addition, the PTO has issued notices of allowance on one (1) other application for which we anticipate a patent being issued in 2004. The remaining five (5) patent applications are still pending. We also have rights to international patent applications based on many of the US application filings. National Phase Applications have been filed for six (6) international applications (PCT) corresponding to the originally filed U.S. applications.

Employees and Consultants

We currently employ 26 people: Daniel Greenleaf, our President, and Chief Executive Officer, Brian Lenz our Chief Financial Officer and Corporate Secretary, Yaping Hong our Vice President of Research and Development, Michael Cannarsa our General Manager of Chiral Quest, Bing Yu, our Director of Global Operations, and 20 full-time chemists. We also engage Dr. Xumu Zhang, who serves as our Chief Technology Officer, on a consultancy basis. Additionally, we fund four post-doctoral fellows, under the supervision of Dr. Zhang, pursuant to an agreement with Penn State. Of the 32 persons providing services to our Company, either as employees or consultants, 16 hold Ph.D. degrees. As we develop our technology and business, we anticipate the need to hire additional employees, especially employees with expertise in the areas of chemistry, sales and marketing.

Facilities

Our management believes that our facilities are adequate for our current needs, including the production of research and commercial quantities of our ligands, and the needs of our company for at least the next 12 months. However, we anticipate leasing or purchasing additional laboratory facilities as our business matures.

We lease office and laboratory space in Basking Ridge, New Jersey; Monmouth Junction, New Jersey; and in the People's Republic of China, as summarized below:

Basking Ridge, New Jersey. We entered into a lease agreement effective June 15, 2005 for office space located in Basking Ridge, New Jersey. This facility consists of approximately 2,000 square feet of office space. Pursuant to the lease agreement, we pay approximately $4,000 per month for rent. Our total lease commitment of approximately $152,000 for rent, utilities and maintenance fees expires in September 30, 2008.

Monmouth Junction, New Jersey. We entered into a lease agreement effective June 1, 2003 for our principal executive offices located in Monmouth Junction, New Jersey. This facility consists of approximately 9,000 square feet of mostly laboratory space with some additional office space at which our President and Chief Executive Officer, Chief Financial Officer, Business Unit Head, Director of Global Operations and vice president of business development maintain offices. We occupy this facility pursuant to a May 2003 lease agreement, to which we pay approximately $17,000 per month for rent, and approximately $6,000 for utilities and maintenance fees. Our total lease commitment of approximately $400,000 for rent, utilities and maintenance fees, expires in May 2006. We use this facility to produce both research and commercial quantities of our ligands and finished products. In February 2004, and June 2004, we amended our lease agreement to add another 2,200 square feet of laboratory space in order to increase our capacity to produce research and commercial quantities of our ligands.

The People's Republic of China. Pursuant to an agreement with the Science and Technology Bureau of Jiashan County ("Jiashan") in Zhejiang Province of the People's Republic of China, we have agreed to lease a total of 4,000 square meters of laboratory space in an industrial park near Shanghai, 15-20 percent of which we began occupying in 2004. Jiashan is currently building this facility to specifications and we expect to occupy the facility in the second quarter of 2005. Pursuant to our agreement with Jiashan, although we are not required to pay rent during the initial 3-years of the lease, we will pay a maintenance fee of up to $4,500 per month, which is comprised of maintenance and management fees. Following the initial 3-year term, we may, at our sole discretion, either continue leasing the space for annual rent of no more than $60,000 (at approximate conversion rate as of December 31, 2004) or to purchase the facility on commercially reasonable terms. We were also granted the option to purchase in the next three years approximately 33 acres of land adjacent to the industrial park. For purposes of entering into the lease, we established a wholly owned subsidiary organized under the laws of Hong Kong, known as Chiral Quest Ltd., which in turn will be the sole shareholder of a subsidiary in the People's Republic of China, Chiral Quest (Jiashan) Ltd.

We believe our existing facilities, as described above, are adequate to meet our needs through the year ending December 31, 2005.

Legal Matters

We are not a party to any material litigation and are not aware of any threatened litigation that would have a material adverse effect on our business.

MANAGEMENT

Our executive officers and directors are described below. There are no family relationships among our executive officers or directors.

Name	Age	Positions
Daniel Greenleaf	40	President, Chief Executive Officer and Director
Xumu Zhang, Ph.D.	44	Chief Technology Officer and Director
Yaping Hong	49	Vice President of Process Research and Development
Brian Lenz	33	Chief Financial Officer and Secretary
Richard J. Welter, Ph.D.	59	Vice President, Corporate Business Development
Michael Cannarsa	48	General Manager, Chiral Quest
Stephen C. Rocamboli	34	Interim Chairman
Vincent Aita, Ph.D.	31	Director
Kenneth W. Brimmer	49	Director
Stephen A. Roth, Ph.D.	62	Director
David M. Tanen	34	Director
Michael Weiser, M.D., Ph.D.	41	Director

Daniel Greenleaf has been our President and Chief Executive Officer and a member of the Board of Directors since February 2005. He joins VioQuest from Celltech Biopharmaceuticals, a European biotechnology company where he served as President of their U.S. operations since 2004. Prior to that, Mr. Greenleaf served as Senior Vice President of Operations for Nabi Biopharmaceuticals a biopharmaceutical development company, from 2002 to 2003. From 1992 to 2002, Mr. Greenleaf held a series of positions of increasing responsibility at Schering-Plough Corporation, an international pharmaceutical company, including its Vice President, Marketing and Sales from 2000 to 2002. He holds an MBA from the University of Miami and a BA in Economics from Denison University.

Xumu Zhang, Ph.D., co-founder of Chiral Quest, Inc., has been a member of our board of directors and has served as our Chief Technology Officer and as a consultant since our inception in 2000. Since 1994, Dr. Zhang has been primarily employed by Pennsylvania State University in State College, Pennsylvania, most recently as a Professor of Organic Chemistry, and prior to that was an Assistant and Associate Professor of Chemistry. Dr. Zhang holds a Ph.D. in Organic and Inorganic Chemistry from Stanford University, where he also conducted his postdoctoral work.

Michael Cannarsa, Ph.D., joined our company in January 2005 and currently serves as General Manager of Chiral Quest. Mr. Cannarsa joins us from Chemi Pharma, where he served as President and VP of Business Development since 2003. From 2001 to 2003, Dr. Cannarsa was employed by Synthetech, Inc. serving as Director of Business Development. Prior to Synthetech, Inc., Dr. Cannarsa served as Vice President, Fine Chemicals Business Development at Symyx Technologies, Inc. from 1999 to 2001. From 1997 to 1999; Dr. Cannarsa was employed by PPG-Sipsy Pharmaceutical Products as Commercial Development Manager. He holds a Ph.D. from Cornell University in Physcial Organic Chemistry, and a BS in Chemistry from Georgetown Unviversity.

Yaping Hong, Ph.D., has been our Director of Process Research and Development since May 2003. Prior to joining Chiral Quest, Dr. Hong was Director of Process Chemistry for Synthon Chiragenics from August 2001 to May 2003. From April 1993 to August 2001, Dr. Hong was employed by Sepracor Inc., eventually serving as Associate Research Fellow from January 2001 to August 2001. Dr. Hong holds a Ph.D. in Synthetic Organic Chemistry from the University of Waterloo. Dr. Hong conducted his postdoctoral work from September 1991 to March 1993 at the Massachusetts Institute of Technology, in Cambridge Massachusetts.

Richard J. Welter, Ph.D., has been our Vice President of Corporate Business Development since July 2005. Prior to joining us, Dr. Welter was Vice President, Business Development at Vela Pharmaceuticals, Inc. from July 2003 to July 2005. From July 2000 to July 2003, Dr. Welter served as Executive Director, Global Licensing at Pharmacia Corporation.

Brian Lenz has been our Chief Financial Officer since April 2004 and our Secretary since December 2003. From October 2003 to April 2004, he served as our Controller. Prior to that he was Controller of Smiths Detection from July 2000 to September 2003. Previous to Smiths Detection, Mr. Lenz worked as a Senior Auditor for KPMG LLP from October 1998 to June 2000. Mr. Lenz is a licensed Certified Public Accountant, holds a Bachelors of Science in Business Administration from Rider University in New Jersey, and an M.B.A. from Saint Joseph's University in Pennsylvania.

Stephen A. Roth, Ph.D. has served as a member of the board of directors since February 2003. Since January 2003, he has served as President, CEO, and director of Immune Control, Inc., a privately-held biopharmaceutical company focused on developing cancer treating drugs. Prior to joining Immune Control, Dr. Roth co-founded Neose Technologies in 1990, becoming its Chief Executive Officer and Chairman in 1994. Prior to starting Neose, Dr. Roth was assistant and associate professor of biology at The Johns Hopkins University from 1970-1980. He moved to the University of Pennsylvania as professor of biology in 1980, and was appointed Department Chairman in 1982, serving in that role until 1987. At Penn, Dr. Roth helped form its Plant Science Institute. His scholarly interests centered on the roles of complex carbohydrates in embryonic morphogenesis and in malignancy, topics on which he authored or co-authored nearly 100 articles and one book. He has received several research awards and prizes, and is an inventor on 18 patents and six patent applications. Dr. Roth received an A.B. degree from Johns Hopkins in 1964, a Ph.D. from Case Western Reserve University in 1968, and did postdoctoral work in carbohydrate chemistry at Hopkins from 1968-1970.

Stephen C. Rocamboli has served as our Interim Chairman since February 2003 and was our Secretary from February 2003 to December 2003. Since September 2004, Mr. Rocamboli has been general counsel of Paramount BioCapital, Inc. and Paramount BioCapital Investments, LLC and served as deputy general counsel of those companies from September 1999 to August 2004. From November 2002 to December 2003, Mr. Rocamboli served as a director of Ottawa, Ontario based Adherex Technologies, Inc. Mr. Rocamboli also serves as a member of the board of directors of several privately held development stage biotechnology companies. Prior to joining Paramount, Mr. Rocamboli practiced law in the health care field. He received his J.D. from Fordham University School of Law.

Vincent M. Aita, Ph.D. has served as a member of the board of directors since February 2003. Since February 2004, Dr. Aita has been an analyst for Kilkenny Capital Management, LLC. Prior to that, he was a research analyst for Paramount BioCapital Asset Management, Inc. from November 2000 to January 2004. Prior to that, Dr. Aita completed a post-doctoral fellowship in the Department of Genetics and Development at Columbia University, and concurrently served as a scientific consultant for Research Assessment Associates, Inc. From August 1995 to December 1999, Dr. Aita attended Columbia University where he received a Ph.D. in Genetics from the Columbia Genome Center.

Michael Weiser, M.D., Ph.D. has served as a member of the board of directors since February 2003. Dr. Weiser concurrently serves as the Director of Research of Paramount BioCapital Asset Management. Dr. Weiser also is a member of the board of directors of Manhattan Pharmaceuticals, Inc. (AMX: MHA), and Hana Biosciences, Inc. (AMX: HBX), both publicly-held biotechnology companies. Dr. Weiser is also a member of Orion Biomedical GP, LLC, and serves on the board of directors of several privately held companies. Dr. Weiser holds an M.D. from New York University School of Medicine and a Ph.D. in Molecular Neurobiology from Cornell University Medical College. Dr. Weiser completed a Postdoctoral Fellowship in the Department of Physiology and Neuroscience at New York University School of Medicine and performed his post-graduate medical training in the Department of Obstetrics and Gynecology and Primary Care at New York University Medical Center.

David M. Tanen has served as a member of the board of directors since February 2003. Since September 2004, he has been a Partner of Two River Group Holdings, a New York-based venture capital and investment banking firm, which he co-founded. Prior to that, he was employed primarily as an associate director of Paramount BioCapital, Inc. and Paramount BioCapital Investments, LLC since 1996, where he has assisted in the founding of a number of biotechnology start-up companies. Mr. Tanen also serves as a director of several privately held development stage

biotechnology companies. Mr. Tanen received his J.D. from Fordham University School of Law.

Kenneth W. Brimmer has served as a member of the board of directors since February 2003. From May 2002 to February 2003 he served as Chairman and Chief Executive Officer of Surg II, Inc., with which we completed a reverse merger transaction in February 2003. Mr. Brimmer has been chief manager of Brimmer Company, a private investment company that he founded, since December 2001. Since September 2003, he has been Chief Executive Officer of STEN Corporation, a Minneapolis-based diversified business medical products company, and has served as the company's Chairman since March 2000. From April 2000 to December 2001, Mr. Brimmer was Chief Executive Officer and Chief Financial Officer of Minnetonka, Minnesota-based Active IQ Technologies, Inc. (nka Wits Basin Precious Minerals, Inc.) and served as its Chairman from April 2000 to June 2003. From May 1995 until April 2000, Mr. Brimmer was treasurer of Rainforest CafÃ©, Inc., and served as that company’s President from April 1997. From 1990 until 1997, Mr. Brimmer was also engaged in an executive position with Minneapolis-based Grand Casino, Inc. Mr. Brimmer is currently the Chairman of Sterion Incorporated, Entrx Corporation, and Spectre Gaming, Inc., and is a director of Hypertension Diagnostics, Inc., all publicly-held companies. Mr. Brimmer began his career as a certified public accountant.

Code of Ethics

We have developed a Code of Ethics that applies to our President, Chief Executive Officer & Chief Financial Officer which is expected to be presented to our board of directors for its review and approval during the second quarter of 2005. Once adopted we will provide a copy of the Code of Ethics without charge upon written request directed to Brian Lenz, 7 Deer Park Drive, Suite E, Monmouth Junction, NJ 08852.

Audit Committee Financial Expert

We have an Audit Committee composed of Messrs. Brimmer, Rocamboli and Tanen and have determined that Mr. Brimmer qualifies as an “audit committee financial expert,” as that term is defined by SEC regulations. As indicated above, Mr. Brimmer has previous experience as a certified public accountant. Although our common stock is not listed on any of the New York Stock Exchange, American Stock Exchange or the Nasdaq Stock Market, applicable SEC rules require us to determine whether Mr. Brimmer is also an “independent director,” as that term is defined by the listing standards of one of the foregoing stock markets. Mr. Brimmer is also an “independent director,” as that term is defined by Section 121(A) of the listing standards of the American Stock Exchange.

Compensation of Executive Officers

The following table sets forth, for the last three fiscal years, the compensation earned for services rendered in all capacities by those persons who served as our chief executive officers during 2004 and the other highest-paid executive officers serving as such at the end of 2004 whose compensation for that fiscal year was in excess of $100,000. The individuals named in the table will be hereinafter referred to as the "Named Officers." No other executive officer of our company received compensation in excess of $100,000 during fiscal year 2004. No executive officer who would otherwise have been included in this table on the basis of 2004 salary and bonus resigned or terminated employment during that year.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards	
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compensation ($)**	**Securities Underlying Options (#)**	**All Other Compensation ($)**
	2004	240,000	0	0	0	375,000(2)
Alan D. Roth(1),	2003	205,000	35,000	0	865,230	0
President & CEO	2002	--	--	--	--	--
	2004	200,000	50,000	6,000(4)	125,000	0
Ronald Brandt(3),	2003	165,000	0	4,800(4)	175,000	0
Business Unit Head	2002	--	--	--	--	--
	2004	94,000	17,000	0	100,000	0
Brian Lenz, CFO &	2003	--	--	--	--	--
Secretary	2002	--	--	--	--	--
	2004	165,000	20,000	0	75,000	0
Yaping Hong, Vice	2003	145,000	14,000	0	50,000	0
President R&D	2002	--	--	--	--	--

(1) Mr. Roth was our President, CEO and Chief Financial Officer until April 2004.
(2) Represents severance compensation paid to Dr. Roth upon his separation from the Company.
(3) Mr. Brandt served as the Company's Vice President of Business Development from October 2003 to April 2004. He was appointed interim President and CEO in April 2004 and held those positions until February 2005. He served as head of our Chiral Quest business until his departure from the company in April 2005.
(4) Mr. Brandt's other annual compensation is comprised of an annual auto allowance.

Options and Stock Appreciation Rights

The following table contains information concerning the grant of stock options under our 2004 Stock Option Plan and otherwise to the Named Officer during the 2004 fiscal year. No stock appreciation rights were granted during the 2004 fiscal year.

Option Grants in Last Fiscal Year (Individual Grants)

Name	**Number of Securities Underlying**	**Percent of Total Options/SARs Granted to**	**Exercise or Base Price ($/Share)**	**Expiration Date**

	Options Granted (#)	Employees in Fiscal Year		
Dr. Roth	0	--	--	--
Mr. Brandt[1]	25,000[2]	3.8	1.40	4/19/2014
	100,000[3]	15.2	1.01	6/17/2014
	300,000[4]	45.5	1.01	6/17/2014
Mr. Lenz	25,000[2]	3.8	1.40	4/19/2014
Dr. Hong	50,000[2]	7.6	1.40	4/19/2014

(1) Following Mr. Brandt's separation from our company in April 2005, he no longer as any rights to the options granted in 2004.
(2) Option vests in three equal installments in each of April 2005, 2006 and 2007.
(3) Option vests in three equal installments in each of June 2005, 2006 and 2007.
(4) Options vest as follows: 100,000 shares when the closing bid price of our common stock exceeds $3.00 for 10 consecutive trading days; 100,000 shares when the closing bid stock price exceeds $5.00 for 10 consecutive trading days; and 100,000 shares when the closing bid stock price exceeds $7.00 for 10 consecutive trading days.

Option Exercise and Holdings

The following table provides information with respect to the Named Officer concerning the exercisability of options during the 2004 fiscal year and unexercisable options held as of the end of the 2004 fiscal year. No stock appreciation rights were exercised during the 2004 fiscal year, and no stock appreciation rights were outstanding at the end of that fiscal year.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized (1)	Securities Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End (Market price of shares at FY-End less exercise price)(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Dr. Roth	0	--	288,410	576,820	$ 0	$ 259,569
Mr. Brandt	0	--	58,333	241,667	$ 0	$ 52,500
Mr. Lenz	0	--	5,000	95,000	$ 0	$ 4,500

(1) Equal to the fair market value of the purchased shares at the time of the option exercise over the exercise price paid for those shares.

(2) Based on the fair market value of our common stock on December 31, 2004 of $.90 per share, the closing sales price per share on that date on the OTC Bulletin Board.

Long Term Incentive Plan Awards

No long term incentive plan awards were made to the Named Officer during the last fiscal year.

Compensation of Directors

Our directors receive no monetary fees for serving as directors. Non-employee directors may be granted, at the discretion of the Board, options to purchase shares of our common stock. Such options shall contain such terms and provisions as the Board determines at the time of grant. On October 28, 2003, in consideration for their services as directors, each of Drs. Aita, Stephen Roth and Weiser and Messrs. Brimmer, Rocamboli and Tanen received ten-year options to purchase 12,900 shares of our common stock at an exercise price of $1.98 per share. All of these options vest in three equal installments on each anniversary of the grant date until fully vested. Members of the Board who are also employees or consultants of the Company receive no options for their services as directors.

Employment Contracts and Termination of Employment and Change of Control Agreements

Daniel Greenleaf

The Company entered into a written employment agreement dated as of February 1, 2005 with Daniel Greenleaf, its newly-appointed President and Chief Executive Officer. The agreement provides for a 3-year term and an initial annual base salary of $360,000, plus a guaranteed annual bonus of $100,000 during each year of the term of the agreement. In addition, Mr. Greenleaf is entitled to a signing bonus in the amount of $50,000, of which one-half is payable following the execution of the employment agreement and the remaining one-half is payable on the 6-month anniversary of the agreement. Mr. Greenleaf is further entitled to an additional bonus under the employment

agreement of up to $250,000 upon the attainment of certain performance criteria specified in the employment agreement, which include the acquisition of drug candidates and the completion of financing transactions by us. As a result of our October 2005 private placement and acquisition of Greenwich Therapeutics, Mr. Greenleaf has earned $155,000 of such bonus. Mr. Greenleaf is also entitled to other benefits generally made available to the Company's other senior management.

The employment agreement also provides that Mr. Greenleaf is entitled to receive an option to purchase 891,396 shares of the Company's common stock, which represents 5 percent of the Company's then currently outstanding common stock. The option will vest in three equal annual installments, commencing February 2006. In addition, until the Company has raised $20 million through the sale of equity securities and has obtained the rights to one clinical stage human therapeutic, Mr. Greenleaf shall be entitled to receive such additional options to purchase common stock in order to maintain his beneficial ownership (assuming the exercise of all stock options issued to Mr. Greenleaf) at 5 percent of the Company's outstanding common stock. To the extent any additional stock options are issued pursuant to the foregoing sentence, the options will vest in installments over the term of the employment agreement as long as Mr. Greenleaf remains employed by the Company and will be exercisable at the market value of the Company's common stock at the time of issuance. In accordance with this provision, we issued Mr. Greenleaf an option to purchase an additional 1,445,080 shares of our common stock following the completion of our acquisition of Greenwich Therapeutics and the October 2005 private placement.

In the event Mr. Greenleaf's employment is terminated by the Company during the term upon a "change of control" (as defined in the employment agreement) and on the date of such termination the Company's aggregate market capitalization is less than $38 million, he is entitled to receive his base salary for six months thereafter and all of his stock options scheduled to vest in the calendar year of such termination shall accelerate and be deemed vested upon termination and will remain exercisable for 12 months following such termination. In the event the Company terminates Mr. Greenleaf's employment during the term of the agreement other than as a result of death, disability, cause or in connection with a change of control where the Company's aggregate market capitalization is less than $38 million, then (i) Mr. Greenleaf is entitled to receive his base salary for 12 months from such termination, his guaranteed bonus for the calendar year in which such termination occurs, and the portion of any discretionary bonus earned as of the termination, and (ii) the vesting of his stock options shall accelerate and be deemed vested and will remain exercisable for 12 months following such termination.

SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of the our common stock as of November 15, 2005, by (i) each person known by us to be the beneficial owner of more than 5 percent of the outstanding common stock, (ii) each director, (iii) each executive officer, and (iv) all executive officers and directors as a group. Unless otherwise indicated, the address of each of the following persons is 7 Deer Park Drive, Suite E, Monmouth Junction, NJ 08852.

The number of shares beneficially owned is determined under rules promulgated by the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under those rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days through the exercise or conversion of any stock option, convertible security, warrant or other right. Including those shares in the tables does not, however, constitute an admission that the named stockholder is a direct or indirect beneficial owner of those shares. Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares that power with that person's spouse) with respect to all shares of capital stock listed as owned by that person or entity.

Name and Address	Number of Shares Beneficially Owned (1)	Percentage of Class
Daniel Greenleaf	20,000	*
Michael Cannarsa	0	-
Yaping Hong, Ph.D.	37,667(2)	*
Brian Lenz	18,333(3)	*
Vincent M. Aita, Ph.D.	238,074 (4)	*
Kenneth W. Brimmer	158,600(5)	*
Stephen C. Rocamboli	863,335(6)	1.8
Stephen A. Roth, Ph.D.	41,934(7)	*
David M. Tanen	116,299(8)	*
Michael Weiser, M.D., Ph.D.	1,892,068(9)	4.0
Xumu Zhang, Ph.D.	2,943,288(10)	6.3
All Executive Officers and Directors as a group (11 persons)	6,329,543	13.3
Lester Lipschutz 1650 Arch Street - 22nd Floor Philadelphia, PA 19103	10,541,367(11)	21.8
Lindsay A. Rosenwald 787 7th Avenue, 48th Floor New York, NY 10019	3,425,999(12)	7.2

* Less than 1%.

(1) Assumes in each case that the stockholder exercised all options available to the person that have vested or will vest within 60 days of November 15, 2005. Accordingly, this table does not reflect: (i) 891,396 shares issuable upon exercise (at a price of $.88 per share) of an option held by Mr. Greenleaf, 297,132 of which vest on each of February 1, 2005, February 1, 2007 and February 1, 2008; (ii) 1,445,080 shares issuable upon exercise (at a price of $.89 per share) of an option held by Mr. Greenleaf, 481,693 of which vest on each of February 1, 2006 and February 1, 2007, and 481, 694 of which vest on February 1, 2008; (iii) 29,000 shares issuable upon exercise (at a

price of $1.50 per share) of an option held by Dr. Hong, 12,000 of which vest on April 21, 2006 and 17,000 of which vest on April 21, 2007; (iv) 33,333 shares issuable upon exercise (at a price of $1.40 per share) of an option held by Dr. Hong, 16,667 of which vest on April 19, 2006 and 16,666 of which vest on April 19, 2007; (v) 25,000 shares issuable upon exercise (at a price of $1.08 per share) of an option held by Dr. Hong, 8,333 of which vest on each of January 24, 2006 and January 24, and 8,334 of which vest on January 24, 2008; (vi) 5,000 shares issuable upon exercise (at a price of $1.67 per share) of an option held by Mr. Lenz which vest on October 6, 2006; (vii) 16,667 shares issuable upon exercise (at a price of $1.40 per share) of an option held by Mr. Lenz, 8,333 of which vest on April 19, 2006 and 8,3334 of which vest on April 19, 2007; (viii) 60,000 shares issuable upon exercise (at a price of $1.08 per share) of an option held by Mr. Lenz, 20,000 of which vest on each of January 24, 2006, January 24, 2007 and January 24, 2008; (ix) 4,300 shares issuable upon exercise (at a price of $1.96 per share) of an option held by Dr. Aita which vest on October 28, 2006; (x) 4,300 shares issuable upon exercise (at a price of $1.96 per share) of an option held by Mr. Brimmer which vest on October 28, 2006; (xi) 16,666 shares issuable upon exercise (at a price of $1.70 per share) of an option held by Dr. Roth which vest on February 14, 2006; (xii) 4,300 shares issuable upon exercise (at a price of $1.96 per share) of an option held by Dr. Roth which vest on October 28, 2006; (xiii) 4,300 shares issuable upon exercise (at a price of $2.11 per share) of an option held by Mr. Tanen which vest on October 23, 2006; and (xiv) 325,026 shares issuable upon exercise of an option (at a price of $1.49 per share) of an option held by Dr. Zhang, 162,513 of which vest on each of May 15, 2006 and May 15, 2007.

(2) Represents shares issuable upon exercise (at a price of $1.50 per share) of an option, 10,000 shares of which vested on April 21, 2004 and 11,000 of which vested on April 21, 2005 and shares issuable upon exercise (at a price of $1.40 per share) of an option, 16,667 of which vested on April 19, 2005.

(3) Represents shares issuable upon exercise (at a price of $1.67 per share) of an option, 5,000 shares of which vested on each of October 6, 2004 and October 6, 2005 and shares issuable upon exercise (at a price of $1.40 per share) of an option, 8,333 of which vested on April 19, 2005.

(4) Includes 8,600 shares issuable upon exercise (at a price of $1.96 per share) of an option, 4,300 shares of which vested on each of October 28, 2004 and October 28, 2005.

(5) Includes (i) 7,500 shares which are owned by Mr. Brimmer's Individual Retirement Account, (ii) 2,500 shares which are owned by the Individual Retirement Account of Mr. Brimmer's spouse (to which he disclaims any beneficial interest), (iii) 100,000 vested shares issuable upon exercise (at a price of $1.25 per share) of an option and (iv) 8,600 shares issuable upon exercise (at a price of $1.96 per share) of an option, 4,300 shares of which vested on each of October 23, 2004 and October 23, 2005.

(6) Includes 616,636 shares owned by, and 144,000 shares issuable upon the exercise of a warrant held by, Stephen C. Rocamboli as Trustee for The Stephen C. Rocamboli April 2005 Trust u/a/d April 7, 2005.

(7) Represents 33,334 shares issuable upon exercise (at a price of $1.70 per share) of an option, 16,667 shares of which vested on each of February 14, 2004 and February 14, 2005 and 8,600 shares issuable upon exercise (at a price of $1.96 per share) of an option, 4,300 of which vested on each of October 28, 2004 and October 28, 2005.

(8) Includes 8,600 shares issuable upon exercise (at a price of $2.11 per share) of an option, 4,300 shares of which vested on each of October 23, 2004 and October 23, 2005 and 5,000 shares issuable upon the exercise of a warrant.

(9) Includes 280,000 shares issuable upon the exercise of a warrant.

(10) Includes 325,026 shares issuable upon exercise (at a price of $1.49 per share) of an option 162,513 shares of which vested on each of May 15, 2004 and May 15, 2005.

(11) Based on Schedule 13D filed with the SEC on October 27, 2005. Represents shares owned equally by several trusts established for the benefit of Dr. Lindsay A. Rosenwald or members of his immediate family, for which Mr. Lipschutz is the trustee/investment manager, and over which he has voting control and investment power. Includes 1,633,000 shares issuable upon the exercise of warrants.

(12) Based on a Schedule 13G/A filed October 31, 2005. Includes (i) 989,169 shares issuable upon the exercise of warrants and (ii) 392,830 shares held by Paramount BioCapital Investments, LLC of which Dr. Rosenwald is the managing member.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Rocamboli and Dr. Weiser, both of whom are directors of our company, are former stockholders of Greenwich Therapeutics, which we acquired in October 2005. Mr. Rocamboli owned 144,000 shares of Greenwich common stock and Dr. Weiser owned 280,000 shares of Greenwich common stock. Accordingly, upon completion of the merger, Mr. Rocamboli received approximately 616,320 shares of our common stock and 144,000 shares issuable upon the exercise of warrants, and now beneficially owns approximately 1.8 percent of our outstanding common stock. Dr. Weiser received approximately 1,198,400 shares of our common stock and 280,000 shares issuable upon the exercise of warrants, and now beneficially owns approximately 4.0 percent of our outstanding common stock. Mr. Rocamboli's and Dr. Weiser's interests in Greenwich were made known to our board of directors at the outset of the negotiating process between the companies and neither attended or otherwise participated in any meeting and other discussion of the board in all matters relating to the merger with Greenwich.

Dr. Weiser and Mr. Rocamboli are also employees of Paramount BioCapital, Inc. or its affiliates, a corporation of which Dr. Lindsay A. Rosenwald is the chairman and sole shareholder. Together with various trusts for the benefit of Dr. Rosenwald or members of his immediate family, Dr. Rosenwald owned approximately 48 percent of Greenwich's outstanding common stock. Upon completion of the merger with Greenwich, Dr. Rosenwald and the trusts together now beneficially own approximately 29 percent of our outstanding common stock.

Paramount BioCapital participated as a placement agent in connection with our October 2005 private placement, for which it received aggregate commissions of approximately $587,000, and with our February 2004 private placement, for which it received aggregate commissions of approximately $300,000.

In connection with our acquisition of Greenwich Therapeutics, we assumed outstanding indebtedness of Greenwich of approximately $822,000, all of which was owed to Paramount BioCapital Investments, LLC, an entity owned and controlled by Dr. Rosenwald. Upon completion of our October 2005 private placement and in accordance with the terms of the promissory note evidencing such indebtedness, we satisfied approximately $560,000 of such indebtedness by paying $265,000 in cash and issuing 392,830 shares of our common stock at a per share price of $0.75.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market for Common Stock

From February 18, 2003 until August 26, 2004, 2004, our common stock traded on the on the OTC Bulletin Board under the symbol "CQST.OB." Since August 27, 2004, our common stock has traded on the OTC Bulletin Board under the symbol "VQPH.OB." The following table lists the high and low bid price for our common stock as quoted, in U.S. dollars, by the OTC Bulletin Board, as applicable, during each quarter within the last two completed fiscal years and the first and second quarters of fiscal 2005. These quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission and may not represent actual transactions. Trading on our common stock has been sporadic, exemplified by the low trading volume and many days upon which no trades occurred.

Quarter Ended	High	Low
March 31, 2003	$ 1.65	$ 1.62
June 30, 2003	$ 2.50	$ 1.55
September 30, 2003	$ 2.23	$ 2.00
December 31, 2003	$ 1.83	$ 1.50
March 31, 2004	$ 2.48	$ 1.50
June 30, 2004	$ 1.76	$ 0.80
September 30, 2004	$ 1.25	$ 0.77

December 31, 2004	$ 1.35	$ 0.77
March 31, 2005	$ 0.99	$ 0.60
June 30, 2005	$ 0.70	$ 0.70
September 30, 2005	$ 1.15	$ 1.05

Record Holders

The number of holders of record of our common stock as of November 15, 2005 was approximately 1,835.

Dividends

We have not paid or declared any dividends on our common stock and we do not anticipate paying dividends on our common stock in the foreseeable future.

Equity Compensation Plan Information

The following table summarizes our outstanding options that we have issued to certain officers, directors and employees of our company as of December 31, 2004.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	--	$ --	--
Equity compensation plans not approved by stockholders (1)	2,244,877	$ 1.42	256,123

(1) Represent shares of common stock issuable upon outstanding options issued to employees and directors under our 2003 Stock Option Plan.

Regulation of Penny Stocks

Our common stock meets the definition of a “penny stock” under applicable SEC rules. Broker-dealers who sell penny stocks must satisfy several rules when recommending that their customers purchase penny stock. A summary of those rules is set forth below.

Definition of a Penny Stock. The SEC has adopted several rules regulating transactions involving “penny stocks.” As a general matter, the term “penny stock” means any equity security other than a security

- that is a “reported security” as that term is defined by SEC rule, including securities listed on the Nasdaq Stock Market, the New York Stock Exchange or the American Stock Exchange,
- that is issued by an investment company,
- that is a put or call option issued by the Options Clearing House,

- that has a price of $5.00 or more, *or*

- whose issuer has (i) net tangible assets of more than $2 million if the issuer has been in business for at least 3 continuous years, and $5 million if the issuer has been in business less than 3 years, (ii) average revenue of at least $6 million for the last 3 years.

Suitability Determination. The SEC's rules governing penny stock transactions are designed to ensure that brokers and dealers make a determination that a particular customer is appropriately suited to purchase penny stocks. Accordingly, prior to the sale of a penny stock recommended by the broker-dealer to a new customer who is not an institutional accredited investor, the broker-dealer must approve the customer's account for transactions in penny stocks. The determination requires the broker-dealer to obtain from the customer information concerning the customer's "financial situation, investment experience, and investment objectives." Based on this information, the broker-dealer must then reasonably determine that transactions in penny stocks are suitable for the customer and that the customer has sufficient knowledge and experience in financial matters that the person reasonably may be expected to be capable of evaluating the risks of penny stock transactions. The broker-dealer then must provide the customer with a written statement, to be signed by the customer, that sets forth the suitability determination made by the broker-dealer.

Penny Stock Risk Disclosure Document. Prior to the initial penny stock transaction with a customer, the broker-dealer must provide to the customer a risk disclosure document, which states clearly that transactions in penny stocks can be very risky and urges the customer to use caution before proceeding with the transaction. The document warns the customer of the lack of liquidity in many penny stocks, the possibility of losing the investment, the need to use caution, and not to rely on the salesperson. The document also sets forth the remedies available to customers in the event the broker-dealer violates the penny stock rules in connection with a transaction with the customer. The risk disclosure document also includes pricing information relating to the penny stock and the compensation paid to the broker-dealer in connection with the transaction.

Monthly Statements. The broker-dealer must also furnish to the customer a statement as of the last day of each month that describes for each penny stock held by the broker-dealer for the customer's account the price of the security, the number of shares of each penny stock security held for the customer, and the estimated market value of the security. The monthly statement must be sent to the customer within 10 days following the end of each month.

USE OF PROCEEDS

We will not receive any proceeds from the resale of any of the shares offered by this prospectus by the selling stockholders.

RIDER 50-A

SELLING SHAREHOLDERS

The following table sets forth the number of shares of the common stock owned by the selling stockholders as of November 18, 2005, and after giving effect to this offering.

Name	Shares beneficially owned before offering	Number of outstanding shares offered by selling shareholder	Number of shares offered by selling shareholder issuable upon exercise of warrants	Percentage beneficial ownership after offering
Ross D. Ain	24,000	16,000	8,000	--
Fred J. Allegrezza	25,500	17,000	8,500	--
Balanced Investment LLC	300,000	200,000	100,000	--
Thomas J. Banholzer	10,500	7,000	3,500	--
Bryan Becker	37,498	24,999	12,499	--
David Becker	37,500	25,000	12,500	--
Benjamin Partners Inc. Savings Plan FBO Jeffrey Benison	51,000	34,000	17,000	--
Paul Bennett	15,000	10,000	5,000	--
Alexander Bernt	12,000	8,000	4,000	--
Stefanie Bernt	12,000	8,000	4,000	--
David J. Bershad	90,000	60,000	30,000	--
Daniel Bettencourt	15,000	10,000	5,000	--
William H. Bland	6,000	4,000	2,000	--
Rocco J. Brescia Jr.	75,000	50,000	25,000	--
Brino Investment Ltd	49,999	33,333	16,666	--
Benito Bucay	50,025	33,350	16,675	--
William B. Buchanan, Jr.	49,999	33,333	16,666	--
Richard & Grace Caldwell	6,000	4,000	2,000	--
Keith D. Camp	15,000	10,000	5,000	--
Devron H. and Valerie C. Char	7,500	--	7,500	--
Elliot A. and Jean E. Cobb, JTWROS	30,000	20,000	10,000	--
Roger & Margaret Coleman Jt Ten	49,999	33,333	16,666	--
Concordia Partners L.P.	1,000,005	666,670	333,335	--
Compact LLC	99,999	66,666	33,333	--
Paul Michael Coplan	25,500	17,000	8,500	--
George T. Corrigan Jr.	15,000	10,000	5,000	--
David B. Cowles	25,500	17,000	8,500	--
John Cowles	25,000	16,666	8,333	--
Kevin T. Crofton	18,000	9,500	8,500	--
Ronald Gerald Danielak	10,500	7,000	3,500	--
Greg Dawe	57,000	38,000	19,000	--
Andrew G. Denka	20,000	--	20,000	--
Denno Family Ltd. Partnership	30,000	20,000	10,000	--
Robert P. Deysher Living Trust	10,500	7,000	3,500	--
Patrick R. Discepola	15,000	10,000	5,000	--

Rene Dominguez	10,050	6,700	3,350	--
Scott Doughman	10,500	7,000	3,500	--
E&M RP Trust	150,000	100,000	50,000	--
Mark S. Eason	12,000	8,000	4,000	--
Ellis Family Limited Partnership	60,000	40,000	20,000	--
Enivia PTE Ltd.	99,999	66,666	33,333	--
Luis Alfredo Farache	49,999	33,333	16,666	--

Theodore H. Feller	10,500	7,000	3,500	--
Peter Fink	15,000	10,000	5,000	--
Christopher Fischler	6,000	4,000	2,000	--
Thomas E. Fisk	15,000	10,000	5,000	--
Marc Florin IRA	16,666	--	16,666	--
Scott Frederichsen	15,000	10,000	5,000	--
Dwight E. French	21,000	14,000	7,000	--
Albert Fried, Jr.	50,000	--	50,000	--
William J. Garner	10,050	6,700	3,350	--
Alejandro Garza Garza	24,999	16,666	8,333	--
Johan Magnusson Gedda	52,500	35,000	17,500	--
Joel Good	15,000	10,000	5,000	--
Peter Grabler	16,666	--	16,666	--
Brett A. Granet	22,500	15,000	7,500	--
Murray & Ujjaini Grigg	60,000	40,000	20,000	--
Manish Gupta	6,000	4,000	2,000	--
Curtis and Teresa Hagerty	15,000	10,000	5,000	--
David Hallberg	6,000	4,000	2,000	--
William M. and Deborah Haskell	6,000	4,000	2,000	--
Steven Heggelke	10,500	7,000	3,500	--
Gregory C. Herr	6,000	4,000	2,000	--
Garry Higdem	75,000	50,000	25,000	--
Gerald & Cynthia Hohman	10,500	7,000	3,500	--
Larry D. Hunter	6,000	4,000	2,000	--
John Igoe	22,500	15,000	7,500	--
JR Construction Management Services, Inc.	19,999	11,666	8,333	--
Richard A. Jacoby	49,999	33,333	16,666	--
Patrick M. Kane	49,999	33,333	16,666	--
Robert Kantor	74,998	49,999	24,999	--
Brian Karasawa	15,000	10,000	5,000	--
Keys Foundation	900,000	600,000	300,000	--
Kevin P. Klett	6,000	4,000	2,000	--
Brian Kugelman	10,500	7,000	3,500	--
Jos. Kump & Joan Kump	51,000	34,000	17,000	--
Michael D. Lachance	10,500	7,000	3,500	--
Lisa Lanzarini	2,700	1,800	900	--
Daniel E. Larson	30,000	20,000	10,000	--
Gary W. Lefelar	10,500	7,000	3,500	--
Ari Leman	10,500	7,000	3,500	--
David D. Le Norman	25,500	17,000	8,500	--
Michael Lusk	10,500	7,000	3,500	--
Philip W. Madow	21,000	14,000	7,000	--
George R. Martin	6,000	4,000	2,000	--
Eric D. Mathias	27,000	18,000	9,000	--
A.J. Matyczynski	6,000	4,000	2,000	--
MB Partnership	10,000	--	10,000	--
Marc C. McGeever	6,000	4,000	2,000	--
Brian E. & Mary S. McGovern	4,999	3,333	1,666	--

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Gary R. Meteer	10,500	7,000	3,500	--
Gerald L. Meyr	13,000	8,000	5,000	--
Arthur P. Mitchell	15,000	10,000	5,000	--
Michael Mohr	30,000	20,000	10,000	--
David Murcian	97,500	65,000	32,500	--
Gregory Wayne & Judy Chumley Nelson	7,500	--	7,500	--
Brent Olson	15,000	10,000	5,000	--
John S. Osterweis, as ttee FBO The Osterweis Revocable Trust	49,999	33,333	16,666	--
H. David Overbeeke	36,000	24,000	12,000	--
Mario Pasquel & Begona Miranda	27,225	18,150	9,075	--
Suman T. and Shobhana S. Patel	15,000	10,000	5,000	--
Perkins Capital Management, Inc. Profit Sharing Plan U/A dtd 12/15/86	45,000	30,000	15,000	--
Perkins Foundation	22,500	15,000	7,500	--
Richard W. Perkins Trustee U/A dtd 6/14/78 FBO Richard W. Perkins	52,500	35,000	17,500	--
Martin Jay Perl	6,000	4,000	2,000	--
Josef Pickenhahn	15,000	10,000	5,000	--
Porlana Capital Corp. PTE Ltd.	97,500	65,000	32,500	--
Premero Investments Ltd.	14,971	9,981	4,990	--
Pyramid Partners, L.P.	150,000	100,000	50,000	--
UBS Financial Custodian for Rod J. Ragan	6,000	4,000	2,000	--
Govin T. Rajan	24,000	16,000	8,000	--
Elke R. de Ramirez	14,469	9,646	4,823	--
Stephen A. Raymond	7,500	5,000	2,500	--
Stephen A. Raymond, Trustee Pauline S. Johnson Trust U/A/D 2/10/86	10,500	7,000	3,500	--
John P Ritchie and Marianne Ritchie JTWROS	7,500	5,000	2,500	--
James W. Robertson	10,500	7,000	3,500	--
Richard Rodick	6,300	4,200	2,100	--
Joseph P. & Julie A. Rogers	19,500	13,000	6,500	--
Harold Roitenberg, Trustee FBO Harold Roitenberg Trust U/A dtd 4/13/92	30,000	20,000	10,000	--
John F. Rooney	37,500	25,000	12,500	--
Alan D. Roth (1)	812,184	80,000	40,000	1.5
Matthew J. Rund	6,000	4,000	2,000	--
David J. Rupert	45,000	30,000	15,000	--
David W. Ruttenberg	24,999	16,667	8,333	--
Wayne Saker	20,000	-	20,000	--
Russell B. Scaffede	18,750	12,500	6,250	--
Michael H. Schwartz Profit Sharing Plan	49,999	33,333	16,666	--

Francis P. Sears III	24,900	16,600	8,300	--
Gabriel A. Segovia	40,500	27,000	13,500	--
Robert Segovia	27,570	18,380	9,190	--
Joseph E. Simmons, Kathleen K. Casey JTWROS	6,000	4,000	2,000	--
Hargopal Singh	24,000	16,000	8,000	--
Source One	100,500	67,000	33,500	--

Spectra Capital Management, LLC	33,333	--	33,333	--
Douglas W. & Audrey J. Stephens	15,000	10,000	5,000	--
S. Michael Stinson	6,000	4,000	2,000	--
Surucun Ltd	180,000	120,000	60,000	--
Scott Swix	10,500	7,000	3,500	--
Wayne F. Tackabury IRA	15,000	10,000	5,000	--
Myron M. Teitelbaum MD	24,999	16,666	8,333	--
Tisu Investment Ltd.	49,999	33,333	16,666	--
Tokenhouse Trading S.P.	199,999	133,333	66,666	--
Victor M. Tolomei	15,000	10,000	5,000	