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

# FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2004**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the transition period from to**

**Commission File No. 000-32877**

# PRO-PHARMACEUTICALS, INC.

| **Nevada** | **04-3562325** |
|---|---|
| **(State or other jurisdiction of incorporation)** | **(I.R.S. Employer Identification No.)** |
| **189 Wells Avenue, Newton, Massachusetts** | **02459** |
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**(617) 559-0033**
**(Registrant's Telephone Number, Including Area Code)**

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ☐ NO ☒

The number of shares outstanding of the registrant's common stock as of August 13, 2004 was 27,315,411.

**PRO-PHARMACEUTICALS, INC.**

**INDEX TO FORM 10-Q**

**FOR THE QUARTER ENDED JUNE 30, 2004**



Our website address is www.pro-pharmaceuticals.com.

**PRO-PHARMACEUTICALS, INC.**
**(A Development-Stage Company)**

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**
**(In thousands, except share and per share data)**

| | June 30, 2004 | December 31, 2003 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 8,776 | $ 7,608 |
| Prepaid expenses and other current assets | 98 | 88 |
| Total current assets | 8,874 | 7,696 |
| PROPERTY AND EQUIPMENT - NET | 108 | 144 |
| INTANGIBLE ASSETS - NET | 160 | 135 |
| DEPOSITS AND OTHER ASSETS | 27 | 27 |
| TOTAL ASSETS | $ 9,169 | $ 8,002 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 96 | $ 144 |
| Accounts payable - related party | 11 | 22 |
| Accrued expenses - related party | 19 | — |
| Other accrued expenses | 572 | 212 |
| Total current liabilities | 698 | 378 |
| CONTINGENCIES (Note 5) | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, $0.001 par value; 100,000,000 shares authorized, 25,315,411 and 24,079,300 shares of common stock issued and outstanding at June 30, 2004 and December 31, 2003, respectively; Undesignated shares, $.01 par value; 10,000,000 and 5,000,000 shares authorized at June 30, 2004 and December 31, 2003, respectively; none issued and outstanding | 25 | 24 |
| Additional paid-in capital | 24,416 | 20,376 |
| Deferred compensation | (5) | (70) |
| Deficit accumulated during the development stage | (15,965) | (12,706) |
| Total stockholders' equity | 8,471 | 7,624 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 9,169 | $ 8,002 |

See notes to unaudited condensed consolidated financial statements.

**PRO-PHARMACEUTICALS, INC.**
**(A Development-Stage Company)**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**
**THREE AND SIX MONTHS ENDED JUNE 30, 2004 AND 2003, AND CUMULATIVE PERIOD FROM INCEPTION (JULY 10, 2000) TO JUNE 30, 2004**
**(In thousands, except share and per share data)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Cumulative Period from Inception (July 10, 2000) to June 30, 2004 |
|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | |
| OPERATING EXPENSES: (a) | | | | | |
| Research and development | $ 522 | $ 408 | $ 1,373 | $ 802 | $ 5,801 |
| General and administrative | 915 | 574 | 1,937 | 1,137 | 8,088 |
| Total operating expenses | (1,437) | (982) | (3,310) | (1,939) | (13,889) |
| INTEREST AND OTHER INCOME | 32 | 7 | 51 | 19 | 170 |
| INTEREST AND OTHER EXPENSES: | | | | | |
| Amortization of debt discount on convertible notes | — | — | — | — | 1,258 |
| Debt conversion expense | — | — | — | — | 503 |
| Interest expense on convertible notes | — | — | — | — | 485 |
| Total interest and other expenses | — | — | — | — | (2,246) |
| NET LOSS | $ (1,405) | $ (975) | $ (3,259) | $ (1,920) | $ (15,965) |
| NET LOSS PER SHARE - BASIC AND DILUTED | $ (0.06) | $ (0.05) | $ (0.13) | $ (0.10) | |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED | 25,227,817 | 20,343,571 | 24,653,558 | 20,168,378 | |

(a) The following summarizes the allocation of the stock-based compensation charge:

| | | | | | |
|---|---|---|---|---|---|
| Research and development | $ 4 | $ — | $ 6 | $ — | $ 141 |
| General and administrative | 36 | 37 | 117 | 84 | 853 |
| Total | $ 40 | $ 37 | $ 123 | $ 84 | $ 994 |

See notes to unaudited condensed consolidated financial statements.

**PRO-PHARMACEUTICALS, INC.**
**(A Development-Stage Company)**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**
**SIX MONTHS ENDED JUNE 30, 2004 AND 2003, AND CUMULATIVE PERIOD FROM INCEPTION (JULY 10, 2000) TO JUNE 30, 2004**
**(In thousands)**

| | Six Months Ended June 30, | | Cumulative Period from Inception (July 10, 2000) to June 30, 2004 |
|---|---|---|---|
| | 2004 | 2003 | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $ (3,259) | $ (1,920) | $ (15,965) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 44 | 37 | 190 |
| Stock-based compensation expense | 123 | 84 | 994 |
| Amortization of deferred extension costs through interest expense | — | — | 168 |
| Settlement of accrued interest through issuance of common stock | — | — | 10 |
| Amortization of debt discount on convertible notes | — | — | 1,258 |
| Writeoff of intangible assets | — | — | 107 |
| Debt conversion expense | — | — | 503 |
| Interest expense related to issuance of warrants to purchase common stock | — | — | 236 |
| Changes in current assets and liabilities: | | | |
| Prepaid expenses and other current assets | (10) | (21) | (95) |
| Deposits and other assets | — | — | (27) |
| Accounts payable and accrued expenses | 320 | 36 | 816 |
| Net cash used in operating activities | (2,782) | (1,784) | (11,805) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment | — | (39) | (272) |
| Increase in patents costs and other assets | (34) | (31) | (185) |
| Net cash used in investing activities | (34) | (70) | (457) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net proceeds from issuance of common stock and warrants | 3,984 | 1,724 | 19,795 |
| Net proceeds from issuance of convertible notes payable | — | — | 1,320 |
| Repayment of convertible notes payable | — | — | (86) |
| Proceeds from shareholder advances | — | — | 9 |
| Net cash provided by financing activities | 3,984 | 1,724 | 21,038 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,168 | (130) | 8,776 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 7,608 | 1,921 | — |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 8,776 | $ 1,791 | $ 8,776 |
| SUPPLEMENTAL DISCLOSURE – Cash paid for interest | $ — | $ — | $ 19 |
| NONCASH FINANCING ACTIVITIES | | | |
| Issuance of warrants in connection with equity offerings | $ — | $ — | $ 2,606 |
| Conversion of accrued expenses into common stock | — | 303 | 303 |
| Cashless exercise of employee stock options | — | — | 74 |
| Conversion of convertible notes and accrued interest into common stock | — | — | 1,220 |
| Conversion of extension costs related to convertible notes into common stock | — | — | 171 |
| Issuance of warrants to induce conversion of notes payable | — | — | 503 |
| Issuance of stock to acquire Pro-Pharmaceuticals-NV | — | — | 107 |

See notes to unaudited condensed consolidated financial statements.

**PRO-PHARMACEUTICALS, INC.**
**(A DEVELOPMENT-STAGE COMPANY)**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands, except share and per share data)**

## 1. BASIS OF PRESENTATION

The consolidated financial statements as reported in Form 10-Q reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position of Pro-Pharmaceuticals, Inc. (the "Company") as of June 30, 2004 and the results of its operations and cash flows for the three and six months ended June 30, 2004 and June 30, 2003. All adjustments made to the interim financial statements included all those of a normal and recurring nature. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year.

The unaudited condensed consolidated financial statements of the Company should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2003.

As shown in the consolidated financial statements, the Company incurred net losses of $15,965 for the cumulative period from inception (July 10, 2000) through June 30, 2004. The Company's net losses have resulted principally from costs associated with research and development expenses, including clinical trial costs, and general and administrative activities. As a result of planned expenditures for future research, discovery, development and commercialization activities, the Company expects to incur additional losses and use additional cash in its operations for the foreseeable future. From inception (July 10, 2000) through June 30, 2004, the Company has raised $21,115 in capital and used $11,805 in its operations. The capital was raised through (i) the issuance of convertible notes; (ii) the sale of common stock through a public offering; and (iii) the sale of common stock and warrants through private placements. On August 12, 2004, subsequent to the end of the quarter, the Company raised additional net proceeds of approximately $5,500 from the sale of 2,000,000 shares of common stock and 2,000,000 common stock warrants to certain institutional investors in a private offering (Note 4). Based on the $8,776 of cash and cash equivalents on hand at June 30, 2004 and the net proceeds realized from the private offering on August 12, 2004, management believes the Company has sufficient cash to fund its operations through at least December 31, 2005.

The Company is subject to a number of risks similar to those of other development-stage companies, including dependence on key individuals, uncertainty of product development and generation of revenues, dependence on outside sources of capital, risks associated with clinical trials of products, dependence on third-party collaborators for research operations, need for regulatory approval of products, risks associated with protection of intellectual property, and competition with larger, better-capitalized companies. Successful completion of the Company's development program, achieving a level of revenues adequate to support the Company's cost structure and, ultimately, the attainment of profitable operations is dependent upon future events, including obtaining adequate financing to fulfill its development and commercialization activities.

## 2. STOCK-BASED COMPENSATION

*Stock-Based Compensation* – The Company accounts for stock-based compensation to employees and non-employee directors under the intrinsic method in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and the related interpretations. Under APB No. 25, no compensation expense is recognized for stock options and restricted stock awards granted at fair market value and with fixed terms. The Company uses the fair value method to account for stock-based compensation granted to all other non-employees.

Had the Company used the fair-value method to measure all stock-based compensation awarded to employees and non-employee directors, the Company's net loss and basic and diluted loss per share would have been as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Cumulative Period from Inception (July 10, 2000) to June 30, 2004 |
|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | |
| Net loss—as reported | $ (1,405) | $ (975) | $ (3,259) | $ (1,920) | $ (15,965) |
| Add stock-based compensation expense to employees and non-employee directors included in reported net loss | — | — | — | — | 114 |
| Deduct stock-based compensation to employees and non-employee directors determined under the fair value method | (228) | (85) | (457) | (125) | (3,750) |
| Net loss—pro forma | $ (1,633) | $ (1,060) | $ (3,716) | $ (2,045) | $ (19,601) |
| Basic and diluted loss per share: | | | | | |
| As reported | $ (0.06) | $ (0.05) | $ (0.13) | $ (0.10) | |
| Pro forma | $ (0.06) | $ (0.05) | $ (0.15) | $ (0.10) | |

## 3. OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

| | June 30, 2004 | December 31, 2003 |
|---|---|---|
| Legal and accounting fees | $ 144 | $ 142 |
| Scientific and clinical fees | 393 | 40 |
| Accrued vacation | 23 | 14 |
| Other | 12 | 16 |
| Total | $ 572 | $ 212 |

## 4. STOCKHOLDERS' EQUITY

On April 7, 2004, the Company closed a private equity offering, structured as a "PIPE" (Private Investment in Public Equity) and exempt from registration under Section 4(2) of the Securities Act of 1933, in which it sold to certain institutional investors 1,236,111 shares of common stock and 618,056 common stock warrants (exercisable at $5.30 per share) at $3.60 per share for proceeds of approximately $3,984, net of cash issuance costs of approximately $466. The placement agent also received 61,806 common stock warrants (exercisable at $5.30 per share) in connection with this offering. The exercise price of the warrants issued to the investors and placement agent is subject to adjustment in the future, if the Company were to sell shares of its common stock at a price below the established exercise price of the warrants.

Since the shares of common stock issued in the April 2004 PIPE were sold at a discount to their fair value, the exercise price of the common stock warrants granted to the investors and placement agent in the Company's October 2003 PIPE of $5.29 and $6.86 per share, respectively, have been adjusted to $5.03 and $6.53 per share, respectively.

At the Company's annual meeting of stockholders held on May 25, 2004, the following three proposals were approved by the stockholders: (1) adoption of the Pro-Pharmaceuticals, Inc. 2003 Non-Employee Director Stock Incentive Plan which permits awards of an aggregate of up to 1,000,000 stock options to non-employee directors exercisable to purchase shares of common stock; (2) a 3,000,000 share increase in the number of shares of common stock subject to the Pro-Pharmaceuticals, Inc. 2001 Stock Incentive Plan (the "Incentive Plan") such that the total number of shares subject to awards under the Incentive Plan is 5,000,000; and (3) a 5,000,000 share increase in the number of "undesignated" shares of capital stock that the Company is authorized to issue such that the total number of authorized "undesignated" shares is 10,000,000.

On August 12, 2004, the Company closed a private offering, structured as a “PIPE” (Private Investment in Public Equity) and exempt from registration under Section 4(2) of the Securities Act of 1933, in which it sold to certain institutional investors 2,000,000 shares of common stock and 2,000,000 common stock warrants (exercisable at $4.20 per share) at $3.00 per share for proceeds of approximately $5,500, net of cash issuance costs of approximately $500. The placement agent also received 100,000 common stock warrants (exercisable at $4.20 per share) in connection with this offering.

**5. CONTINGENCIES**

In May 2003, a former employee commenced a lawsuit in Massachusetts Superior Court against the Company and filed a related complainant letter with the Occupational Safety and Health Administration of the U.S. Department of Labor. The plaintiff asserted claims for wrongful discharge in violation of public policy and of employee protection provided for under the Sarbanes-Oxley Act of 2002, and seeks monetary damages. In August 2003, the Department of Labor dismissed the complaint. The plaintiff objected and requested a hearing by an Administrative Law Judge at the Department. The hearing occurred in April 2004 and a decision is not expected until late 2004. In October 2003, the Company received an informal inquiry from the Securities and Exchange Commission (the “SEC”) requesting information related to the foregoing and timely responded prior to year-end. The Company also complied with a May 14, 2004 request from the SEC to provide copies of transcripts of testimony taken prior to and at the hearing, post-hearing briefs and other information.

In February 2004, the Company received an order from the Commonwealth of Massachusetts to provide information concerning its offerings of securities. The Company timely responded, and has not received further communication from the state on this matter. The Company believes the Massachusetts investigation may be related to the matters disclosed in the preceding paragraph.

Each of the foregoing matters is subject to various uncertainties, and it is possible one or more may be resolved unfavorably. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

In January 2004, Dr. Platt, the Company’s Chairman and Chief Executive Officer, filed a lawsuit in Massachusetts Superior Court against GlycoGenesys, Inc. for various claims including breach of contract. In its answer, GlycoGenesys named the Company as a counterclaim defendant alleging tortious interference and misappropriation of proprietary rights, and seeks monetary damages and injunctive relief related to the Company’s intellectual property. In March 2004, the Company answered the counterclaim and denied any liability. On June 15, 2004, the Court allowed, without opposition, a motion of GlycoGenesys for leave to file a supplemental counterclaim against the Company for defamation and unfair competition. The Company and Dr. Platt intend to contest these counterclaims vigorously and believe they will ultimately prevail. However, if the Company does not prevail, there could be a material adverse impact on the financial position, results of operations or cash flows of the Company.

**6. RECLASSIFICATIONS**

Certain prior period amounts have been reclassified to conform to the current year presentation.

* * * * * *

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
**(In thousands, except share and per share data)**

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial information included in this Quarterly Report on Form 10-Q, the "Factors That May Affect Future Results" set forth on page 12 and our Annual Report on Form 10-K for the year ended December 31, 2003. The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and is subject to the safe-harbor created by such Act. Forward-looking statements express our expectations or predictions of future events or results. They are not guarantees and are subject to many risks and uncertainties. There are a number of factors – many beyond our control – that could cause actual events or results to be significantly different from those described in the forward-looking statement. Any or all of our forward-looking statements in this report or in any other public statements we make may turn out to be wrong. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" or words of similar meaning. They may also use words such as "will," "would," "should," "could" or "may". Our actual results could differ materially from the results contemplated by these forward-looking statements as a result of many factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q.

**Overview**

We are a development-stage company engaged in research and development of drug technologies to enable targeted delivery of chemotherapy drugs. We intend initially to "reformulate" existing widely used chemotherapies with our proprietary carbohydrate compounds. We believe our technology may increase the body's tolerance to these toxic drugs by targeting the delivery directly to cancerous cells and increase the efficacy of the drugs, thereby creating a preferable treatment to existing first line oncology regimens. Our goal is to develop and commercialize a new generation of reformulated drugs enabling targeted delivery. For additional information, please see "Item 1. Business — Business of Pro-Pharmaceuticals" included in our Annual Report on Form 10-K for the year ended December 31, 2003.

All of our drug candidates are currently in preclinical and clinical development. To commercialize our drug candidates, we will be required to successfully complete preclinical studies and clinical trials to obtain regulatory approvals. We do not expect to file a New Drug Application ("NDA") for a drug candidate before 2006 even if development of our drug candidates continues successfully. Any delay in obtaining or failure to obtain required approvals will materially adversely affect our ability to generate revenues from commercial sales or licenses relating to our drug candidates. We expect our sources of funding for the next several years to come from finance transactions.

We are devoting substantially all of our efforts toward product research and development, and raising capital. We have no source of revenue and have incurred significant losses to date. We have incurred net losses of $15,965 for the cumulative period from inception (July 10, 2000) through June 30, 2004. Our losses have resulted principally from costs associated with research and development expenses, including clinical trial costs, and general and administrative activities. As a result of planned expenditures for future research, discovery, development and commercialization activities, we expect to incur additional operating losses for the foreseeable future.

From inception (July 10, 2000) through June 30, 2004, we have raised $21,115 in capital and used $11,805 in our operations. The capital was raised through (i) the issuance of convertible notes; (ii) the sale of common stock through a public offering; and (iii) the sale of common stock and warrants through private placements. On August 12, 2004, we raised additional net proceeds of approximately $5,500 from the sale of 2,000,000 shares of common stock and 2,000,000 common stock warrants to institutional investors in a private offering. Based on the $8,776 of cash and cash equivalents on hand at June 30, 2004 and the net proceeds realized from the private offering on August 12, 2004, we believe we have sufficient cash to fund our operations through at least December 31, 2005.

Because we lack revenue and must continue our research and development, we must continually identify new sources of capital and complete financing transactions in order to continue our business. We must also continually monitor the monthly "burn rate" of our capital resources.

**Results of Operations**

***Three Months Ended June 30, 2004 Compared to Three Months Ended June 30, 2003***

*Research and Development Expenses.* Research and development expenses were $522 during the three months ended June 30, 2004, or 28% higher than the $408 incurred in during the three months ended June 30, 2003. Research and development expenses primarily represent costs of outside laboratories, clinical research organizations, data management services, medical consultants, drug manufacturing for clinical trials and salaries and other personnel-related expenses, including stock compensation. We began our Phase I clinical trial of DAVANAT® alone and in combination with the proven chemotherapeutic drug 5-FU (DAVANAT®- 1) in February 2003 and announced the interim results on June 23, 2004. We are in the sixth and final cohort of Phase I. We initiated our Phase II clinical trial of DAVANAT®- 1 in January 2004. The increase in research and development costs in the three months ended June 30, 2004 reflects the start-up and initiation costs for the Phase II clinical trial ($135). We expect the Phase I and Phase II trials to be completed in calendar 2004 and 2005, respectively. We are continuing to develop our pipeline of additional drug candidates. Accordingly, we expect that our research and development costs will continue to increase in 2004 and thereafter and could comprise a higher percentage of our annual expenditures.

*General and Administrative Expenses*. General and administrative expenses were $915 during the three months ended June 30, 2004, or 59% higher than the $574 during the three months ended June 30, 2003. General and administrative expenses primarily represent salaries and other personnel-related expenses, including stock compensation, legal and accounting fees, consultants, corporate governance, insurance, rent, depreciation and other office costs. The increase in costs in the three months ended June 30, 2004 was primarily due to (a) higher legal fees ($241), principally costs related to ongoing litigation, (b) increased investor relations activities ($37) and (c) higher corporate governance and other costs associated with being a publicly-traded exchange-listed company ($32). We expect our general and administrative costs to continue at current levels, or perhaps increase further, depending primarily on the litigation costs.

*Interest and Other Income.* Interest and other income for the three months ended June 30, 2004 was $32 compared to $7 for the three months ended June 30, 2003, and primarily consists of interest income on short-term investments. The increase in interest income is due to higher average cash balances as we raised new financing of approximately $8,221 in the second half of fiscal 2003 and $3,984 in the first half of fiscal 2004 compared to $3,035 in the second half of fiscal 2002 and $1,724 in the first half of fiscal 2003. Average interest rates in 2004 were comparable to the average interest rates in 2003.

***Six Months Ended June 30, 2004 Compared to Six Months Ended June 30, 2003***

*Research and Development Expenses.* Research and development expenses were $1,373 during the six months ended June 30, 2004, or 71% higher than the $802 incurred during the six months ended June 30, 2003. As described above, we began our Phase I clinical trial of DAVANAT® and DAVANAT®- 1 in February 2003, which is in its sixth and final cohort, and we initiated our Phase II clinical trial of DAVANAT®- 1 in January 2004. The increase in research and development costs in the six months ended June 30, 2004 reflects the impact of a full six months' costs for the Phase I clinical trial ($395) and start-up and initiation costs for the Phase II clinical trial ($177). We expect the Phase I and Phase II trials to be completed in calendar 2004 and 2005, respectively. We are continuing to develop our pipeline of additional drug candidates. Accordingly, we expect that our research and development costs will continue to increase in 2004 and thereafter and could comprise a higher percentage of our annual expenditures.

*General and Administrative Expenses*. General and administrative expenses were $1,937 during the six months ended June 30, 2004, or 71% higher than the $1,137 during the six months ended June 30, 2003. The increase in costs in the six months ended June 30, 2004 was primarily due to (a) higher legal fees ($618), principally costs related to ongoing litigation, (b) increased investor relations activities ($60) and (c) higher corporate governance and other costs associated with being a publicly-traded exchange-listed company ($89).

*Interest and Other Income.* Interest and other income for the six months ended June 30, 2004 was $51 compared to $19 for the six months ended June 30, 2003, and primarily consists of interest income on short-term investments. As described above, the increase in interest income is due to higher average cash balances in 2004 resulting from larger financings in the second half of 2003 and first half of 2004. Average interest rates in 2004 were comparable to the average interest rates in 2003.

**Liquidity and Capital Resources**

As described above in the Overview and elsewhere in this Quarterly Report on Form 10-Q, we are in the development stage and have not generated any revenues to date. Since our inception on July 10, 2000, we have financed our operations primarily through private placements of convertible debt, shares of common stock and warrants, and a public offering of shares of common stock. As of June 30, 2004, we have raised a total of $21,115 from these offerings and had $8,776 of available cash.

Net cash used in operations increased to $2,782 for the six months ended June 30, 2004 from $1,784 for the six months ended June 30, 2003, primarily due to the clinical research and data management costs incurred in connection with our clinical trials ($220) and to higher general and administrative expenses ($775).

Net cash used in investing activities decreased to $34 for the six months ended June 30, 2004 from $70 for the six months ended June 30, 2003 because we did not purchase property and equipment during such period in 2004. The lower fixed asset purchases is due to the timing of the expenditures, as we expect to spend approximately $75 for leasehold improvements and other equipment over the remainder of calendar 2004.

Net cash provided by financing activities was $3,984 for the six months ended June 30, 2004 compared to $1,724 for the comparable period in 2003. On April 7, 2004, we raised $3,984 (net of cash issuance costs of approximately $466) from the sale of 1,236,111 shares of common stock and 618,056 common stock warrants (exercisable at $5.30 per share) at $3.60 per share to certain institutional investors in a private offering, exempt from registration under Section 4(2) of the Securities Act of 1933. In addition to a cash fee, the placement agent also received 61,806 common stock warrants (exercisable at $5.30 per share) in connection with this offering. Net cash provided by financing activities in the six months ended June 30, 2003 resulted primarily from the sale of 1,088,000 shares of common stock in a private placement that concluded on January 14, 2003 and $491 received as of June 30, 2003 from the sale of common stock in a private placement that concluded on July 14, 2003.

On August 12, 2004, we raised an additional $5,500 (net of cash issuance costs of approximately $500) from the sale of 2,000,000 shares of common stock and 2,000,000 common stock warrants (exercisable at $4.20 per share) at $3.00 per share to certain institutional investors in a private equity offering (“August 2004 PIPE”), exempt from registration under Section 4(2) of the Securities Act of 1933. In addition to a cash fee, the placement agent also received 100,000 common stock warrants (exercisable at $4.20 per share) in connection with this offering.

We believe that our cash on hand at June 30, 2004 of $8,776 and the net proceeds received from the August 2004 PIPE will be sufficient to enable us to meet our financial and operating obligations through at least December 31, 2005. We will require more cash to fund our operations over the long-term and believe that we will be able to obtain additional financing. However, there can be no assurance that we will be successful in obtaining such new financing or, if available, that such financing will be on terms favorable to us.

***Payments Due Under Contractual Obligations***

The following table summarizes the payments due under our contractual obligations at June 30, 2004, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 year** | **1 - 3 years** | **3 - 5 years** | **More than 5 years** |
| Clinical trial and related scientific contracts | $476 | $ 476 | $— | $— | $ — |
| Operating leases | 208 | 108 | 100 | — | — |
| Total Payments Due Under Contractual Obligations | $684 | $ 584 | $100 | $— | $ — |

Approximately $103 of the clinical trial and related scientific obligations relate to the Phase I clinical trial, primarily contract research, data collection and data management expenses. The $373 balance of the clinical trial and related scientific obligations relates to pre-clinical animal studies being conducted in connection with the Phase II clinical trial.

In connection with the operating lease for our office space in Newton, Massachusetts included in the table above, a commercial bank has issued a letter of credit collateralized by cash we have on deposit with that bank. As of June 30, 2004, we held $22 of restricted cash. The letter of credit expires on May 31, 2005, and we expect to renew the letter of credit for an additional 12 months prior to its expiration.

***Off-Balance Sheet Arrangements***

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

***Application of Critical Accounting Policies and Estimates***

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to intangible assets, income taxes, accrued expenses, stock-based compensation, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those policies that affect our more significant judgments and estimates used in preparation of our consolidated financial statements. We believe our critical accounting policies include our policies regarding stock-based compensation, accrued expenses and income taxes. For a more detailed discussion of our critical accounting policies, please refer to our annual report on Form 10-K for the fiscal year ended December 31, 2003.

**FACTORS THAT MAY AFFECT FUTURE RESULTS**

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information before deciding to invest in our common stock. The risks described below are not the only ones facing our company. Additional risks not presently known to us, or that we currently consider immaterial, may also adversely affect our business. We have attempted to identify below the major factors that could cause differences between actual and planned or expected results, but we cannot assure you that we have identified all of those factors.

If any of the following risks actually happen, our business, financial condition and operating results could be materially adversely affected. In this case, the trading price of our common stock could decline, and you could lose part or all of your investment.

**Risks Related to Pro-Pharmaceuticals**

***We Are At An Early Stage Of Development With Limited Operating History***. We are a development-stage company with a limited operating history, and we have not generated any revenues to date. We have no therapeutic products available for sale, and none are expected to be commercially available for several years, if at all. We may never generate revenue or become profitable, even if we are able to commercialize any products.

***We Have Incurred Net Losses To Date And Depend On Outside Capital***. Our accumulated deficit as of June 30, 2004 was $15,965. We will need to continue to conduct significant research, development, testing and regulatory compliance activities that, together with projected general and administrative expenses, we expect will

result in substantial operating losses for the next several years. Accordingly, we will not be generating sales or other revenue and will remain dependent on outside sources of financing during that time. If we are unable to raise funds from outside sources for our continuing operations, we may be adversely affected.

We may raise such capital through public or private equity financings, partnerships, debt financings, bank borrowings, or other sources. Additional funding may not be available on favorable terms or at all. If adequate funds are not otherwise available, we may curtail operations significantly. To obtain additional funding, we may need to enter into arrangements that require us to relinquish rights to certain technologies, products and/or potential markets. To the extent that additional capital is raised through the sale of equity, or securities convertible into equity, our equity holders may experience dilution of their proportionate ownership of the company.

Based on the $8,776 of cash and cash equivalents on hand at June 30, 2004 and the net proceeds received from the August 2004 PIPE, we believe we have sufficient cash to fund our operations through at least December 31, 2005.

***Our Product Candidates Will Be Based On Novel Unproven Technologies.*** Our product candidates will be based upon novel unproven technologies using proprietary carbohydrate compounds in “reformulations” of drugs currently used in the treatment of cancer and other diseases. Carbohydrates are difficult to synthesize, and we may not be able to synthesize carbohydrates that would be usable as delivery vehicles for the anti-cancer drugs we plan to work with.

***We Have Only Recently Begun Clinical Trials And Results Are Uncertain.*** We have one product candidate in human clinical trials. Pre-clinical results in animal studies are not necessarily predictive of outcomes in human clinical trials. Clinical trials are expensive and time-consuming, and may not be successful. They involve the testing of potential therapeutic agents, or effective treatments, in humans, typically in three phases, to determine the safety and efficacy of the product candidates necessary for an approved drug. Many products in human clinical trials fail to demonstrate the desired safety and efficacy characteristics. Even if our products progress successfully through initial human testing, they may fail in later stages of development. We will be dependent on others to conduct our clinical trials, including clinical research organizations and, possibly, government-sponsored agencies. These trials may not start or be completed as we forecast, or may be unsuccessful.

***Our Product Candidates May Not Be Successfully Commercialized.*** Even if our product candidates are successful in clinical trials, they may not be successfully commercialized. Potential products may fail to receive necessary regulatory approvals, be difficult to manufacture on a large scale, be uneconomical to produce, fail to achieve market acceptance, or be precluded from commercialization by proprietary rights of third parties.

***Our Lack Of Operating Experience May Cause Us Difficulty In Managing Our Growth.*** We have no direct experience in manufacturing or procuring products in commercial quantities, conducting other later-stage phases of the regulatory approval process, selling pharmaceutical products or licensing our technology, or negotiating, establishing and maintaining strategic relationships. Any growth of our company will require us to expand our management and our operational and financial systems and controls. If we are unable to do so, our business and financial condition would be materially harmed. If rapid growth occurs, it may strain our operational, managerial and financial resources.

***We Will Depend On Third Parties To Manufacture And Market Our Products.*** We do not have, and do not now intend to develop, facilities for the manufacture of any of our products for clinical or commercial production. Accordingly, we will need to develop relationships with manufacturers and enter into collaborative arrangements with licensees or have others manufacture our products on a contract basis. We expect to depend on such collaborators to supply us with products manufactured in compliance with standards imposed by the FDA and foreign regulators.

In addition, we have no direct experience in marketing, sales or distribution, and we do not intend to develop a sales and marketing infrastructure to commercialize our pharmaceutical products. If we develop commercial products, we will need to rely on licensees, collaborators, joint venture partners or independent distributors to market and sell those products.

***We Depend On Key Individuals To Develop Our Products And Pursue Collaborations***. We are highly dependent on Dr. David Platt, President and Chief Executive Officer; Dr. Anatole Klyosov, our Chief Scientist (on a

consulting basis) and member of our Scientific Advisory Board; and Dr. Eliezer Zomer, Vice President, Manufacturing and Product Development. The loss of any of these persons, or failure to attract or retain other key personnel, could prevent us from pursuing collaborations or developing our products and core technologies.

***We Have Been Named a Counterclaim Defendant in a Lawsuit Instituted by Dr. Platt.*** Dr. Platt filed a lawsuit in Massachusetts in January 2004 against GlycoGenesys, Inc. for claims including breach of contract. In its answer GlycoGenesys names us as a counterclaim defendant alleging tortious interference and misappropriation of proprietary rights, and seeks monetary damages and injunctive relief related to our intellectual property. In March 2004, we answered the counterclaim and denied any liability. On June 15, 2004, the court allowed, without opposition, a motion of GlycoGenesys for leave to file a supplemental counterclaim for defamation and unfair competition against us. We and Dr. Platt intend to contest these counterclaims vigorously. If we do not prevail there could be a material adverse impact on our financial position, results of operations or cash flows.

**Risks Related to the Drug Development Industry**

***We Will Need Regulatory Approvals To Commercialize Our Products.*** We currently do not have products approved for sale in the U.S. or any foreign market. We are required to obtain approval from the FDA in order to sell our products in the U.S. and from foreign regulatory authorities in order to sell our products in other countries. The FDA's review and approval process is lengthy, expensive and uncertain. Extensive pre-clinical and clinical data and supporting information must be submitted to the FDA for each indication for each product candidate in order to secure FDA approval. The FDA could reject an application or require us to conduct additional clinical or other studies as part of the regulatory review process. Delays in obtaining or failure to obtain FDA approvals would prevent or delay the commercialization of our products, which would prevent, defer or decrease our receipt of revenues. If we receive initial regulatory approval, our product candidates will be subject to extensive and rigorous ongoing domestic and foreign government regulation.

***Our Competitive Position Depends On Protection Of Our Intellectual Property.*** Development and protection of our intellectual property are critical to our business. If we do not adequately protect our intellectual property, competitors may be able to practice our technologies. Our success depends in part on our ability to obtain patent protection for our products or processes in the United States and other countries, protect trade secrets, and prevent others from infringing on our proprietary rights.

Since patent applications in the United States are maintained in secrecy for at least portions of their pendency periods (published on U.S. patent issuance or, if earlier, 18 months from earliest filing date for most applications) and since other publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain that we are the first to make the inventions to be covered by our patent applications. The patent position of biopharmaceutical firms generally is highly uncertain and involves complex legal and factual questions. The U.S. Patent and Trademark Office has not established a consistent policy regarding the breadth of claims that it will allow in biotechnology patents.

We cannot assure you that all of our patent applications will issue as patents or that the claims of any issued patents will afford meaningful protection for our technologies or products. In addition, patents issued to us or our licensors may be challenged and subsequently narrowed, invalidated or circumvented. Patent litigation is widespread in the biotechnology industry and could harm our business. Litigation might be necessary to protect our patent position or to determine the scope and validity of third-party proprietary rights, and we may not have the required resources to pursue such litigation or to protect our patent rights.

Although we require our scientific and technical employees and consultants to enter into broad assignment of inventions agreements, and all of our employees, consultants and corporate partners with access to proprietary information to enter into confidentiality agreements, these agreements may not be honored.

We have been named as a counterclaim defendant in a lawsuit instituted by Dr. Platt. See "Risks Related to Pro-Pharmaceuticals" above.

***Our Products Could Infringe The Intellectual Property Rights Of Others***. We cannot assure that products based on our patents or intellectual property that we license from others will not be challenged by a third party claiming infringement of its proprietary rights. If we were not able to successfully defend our patents or licensed rights, we may have to pay substantial damages, possibly including treble damages, for past infringement.

***We Face Intense Competition In The Biotechnology And Pharmaceutical Industries***. The biotechnology and pharmaceutical industries are intensely competitive. We face direct competition from U.S. and foreign companies focusing on drug delivery technologies which are rapidly evolving. Our competitors include major, multinational pharmaceutical and chemical companies, specialized biotechnology firms and universities and other research institutions. Many of these competitors have greater financial and other resources, larger research and development staffs and more effective marketing and manufacturing organizations, than we do. In addition, academic and government institutions are increasingly likely to enter into exclusive licensing agreements with commercial enterprises, including our competitors, to market commercial products based on technology developed at such institutions. Our competitors may succeed in developing or licensing technologies and products that are more effective or less costly than ours, or succeed in obtaining FDA or other regulatory approvals for product candidates before we do.

***Health Care Cost Containment Initiatives and The Growth Of Managed Care May Limit Our Returns.*** Our ability to commercialize our products successfully will be affected by the ongoing efforts of governmental and third-party payors to contain the cost of health care. These entities are challenging prices of health care products and services, denying or limiting coverage and reimbursement amounts for new therapeutic products, and for FDA-approved products considered experimental or investigational, or which are used for disease indications without FDA marketing approval.

Even if we succeed in bringing any products to the market, they may not be considered cost-effective and third-party reimbursement might not be available or sufficient. If adequate third-party coverage is not available, we may not be able to maintain price levels sufficient to realize an appropriate return on our investment in research and product development. In addition, legislation and regulations affecting the pricing of pharmaceuticals may change in ways adverse to us before or after any of our proposed products are approved for marketing.

***Our Insurance Coverage May Not Be Adequate In All Circumstances.*** In the future, we may, in the ordinary course of business, be subject to claims by, and liability to, persons alleging injury as a result of taking products we have under development. If we are successful in having products approved by the FDA, the sale of such products would expose us to additional potential product liability and other claims resulting from their use. This liability may result from claims made directly by consumers or by pharmaceutical companies or others selling such products. Although we currently have insurance coverage for both product liability and professional liability, it is possible that we will not be able to maintain such insurance on acceptable terms. Any inability to maintain insurance coverage on acceptable terms could prevent or limit the commercialization of any products we develop.

**Risks Related to Our Stock**

***Stock Prices for Biopharmaceutical and Biotechnology Companies Are Volatile***. The market price for securities of biopharmaceutical and biotechnology companies historically has been highly volatile, and the market from time to time has experienced significant price and volume fluctuations that are unrelated to the operating performance of such companies. Fluctuations in the trading price or liquidity of our common stock may adversely affect our ability to raise capital through future equity financings.

***Large Sales Could Reduce The Trading Price Of Our Common Stock***. We listed our common stock on the American Stock Exchange in September 2003, prior to which our stock traded on the OTC Bulletin Board. Accordingly, there is a limited history of trading of our stock on a national exchange and, based on varying trading volume to date, our stock could be considered “thinly traded.” In the last six months of 2003 we undertook the registration on behalf of certain of our stockholders a total of 11,358,835 shares of our common stock and 832,635 shares of stock issuable upon exercise of immediately-exercisable warrants. On May 3, 2004, we registered an additional 1,286,111 shares of common stock and 679,862 shares of stock issuable upon exercise of immediately-exercisable warrants on behalf of certain of our stockholders. In addition, we expect to file a registration statement in September 2004 to register the 2,000,000 shares of common stock and 2,100,000 shares of common stock issuable upon exercise of warrants issued to institutional investors and to the placement agent in a private offering on August 12, 2004. In general, shares of registered common stock may be re-sold into the public markets without volume or other restrictions. Large sales of our registered shares could place substantial downward pressure on the trading price of our common stock, particularly if the amount sold significantly exceeds the then-current trading volume of our stock.

***Downward Pressure on Our Stock Price Could Result if Certain Stockholders Become Short-term Investors.*** We sold shares of common stock and warrants to purchase common stock in so-called "PIPE" (Private Investment in Public Equity) transactions in October 2003, April 2004 and August 2004 to investors who, as an incentive to purchase our securities in private placements, required us promptly to register their shares (including shares issuable upon exercise of the warrants) for resale into the public markets. We may enter into similar financing transactions in the future with the same or different investors. Because such investors typically receive registered shares well in advance of the expiration of the holding periods under Rule 144 of the Securities Act, they may choose to sell their shares after a short period of holding our stock. If sufficient quantities of stock are sold during a brief interval of time, this could result in downward pressure on the market price for shares of our publicly-traded common stock.

***Four Principal Stockholders Own Enough Shares To Control The Company***. Four of our principal stockholders, David Platt, James Czirr, Offer Binder and Anatole Klyosov own or control approximately 43% of the outstanding shares of our common stock, and Dr. Platt and Mr. Czirr together own approximately 34%. Some or all of these stockholders, acting in concert, may be able to substantially influence the election of the Board of Directors and other corporate actions requiring stockholder approval, such as recapitalization or other fundamental corporate action, as well as the direction and policies of our company. Such concentration of ownership also could have the effect of delaying, deterring or preventing a change in control of the company that might otherwise be beneficial to stockholders.

***Changes In Laws, Regulations And Financial Accounting Standards May Affect Our Reported Results Of Operations.*** The Sarbanes-Oxley Act of 2002 and related regulations, including rule changes adopted by stock exchanges in connection with such legislation, may result in changes in accounting standards or accepted practices within our industry and could add significant new costs to being a public company. New laws, regulations and accounting standards, as well as potential changes to currently accepted accounting practices, including the expensing of stock options, could adversely affect our reported financial results and negatively affect our stock price. Additional unanticipated expenses incurred to comply with new requirements could also negatively impact our results of operations.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to changes in the U.S. interest rates. The primary objective of our investment activities is to preserve cash until it is required to fund operations. To minimize risk, we maintain our portfolio of cash and cash equivalents in operating bank accounts and money market funds. Since our investments are short-term in duration, we believe that we are not subject to any material market risk exposure. We do not have any interest-bearing debt, foreign currency or other derivative financial instruments.

**Item 4. Controls and Procedures**

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in the SEC rules promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2004. Based on this evaluation, our CEO and CFO concluded that, as of June 30, 2004, our disclosure controls and procedures were (1) designed to ensure that material information relating to Pro-Pharmaceuticals, Inc., including its consolidated subsidiaries, is made known to our CEO and CFO by others within Pro-Pharmaceuticals, Inc. particularly during the period in which this Report was being prepared, and (2) effective, in that they provide reasonable assurance that information that we are required to disclose in the reports we file under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in our internal control over financial reporting (as defined in the SEC rules promulgated under the Securities Exchange Act of 1934, as amended) occurred during the quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II –OTHER INFORMATION

### Item 1. Legal Proceedings

In May 2003, a former employee commenced a lawsuit in Massachusetts Superior Court against us and filed a related complainant letter with the Occupational Safety and Health Administration of the U.S. Department of Labor. The plaintiff asserted claims for wrongful discharge in violation of public policy and of employee protection provided for under the Sarbanes-Oxley Act of 2002, and seeks monetary damages. In August 2003, the Department of Labor dismissed the complaint. The plaintiff objected and requested a hearing by an Administrative Law Judge at the Department. The hearing occurred in April 2004 and a decision is not expected until late 2004. In October 2003, we received an informal inquiry from the Securities and Exchange Commission (the "SEC") requesting information related to the foregoing and we timely responded prior to year-end. We also complied with a May 14, 2004 request from the SEC to provide copies of transcripts of testimony taken prior to and at the hearing, post-hearing briefs and other information.

In February 2004, we received an order from the Commonwealth of Massachusetts to provide information concerning our offerings of securities. We timely responded and have not received further communication from the state on this matter. We believe the Massachusetts investigation may be related to the matters disclosed in the preceding paragraph.

Each of the foregoing matters is subject to various uncertainties, and it is possible one or more may be resolved unfavorably. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on our financial position, results of operations or cash flows.

In January 2004, Dr. Platt, our Chairman and Chief Executive Officer, filed a lawsuit in Massachusetts Superior Court against GlycoGenesys, Inc. for various claims including breach of contract. In its answer GlycoGenesys names us as a counterclaim defendant alleging tortious interference and misappropriation of proprietary rights, and seeks monetary damages and injunctive relief related to our intellectual property. In March 2004, we answered the counterclaim and denied any liability. On June 15, 2004, the Court allowed, without opposition, a motion of GlycoGenesys for leave to file a supplemental counterclaim against us for defamation and unfair competition. We and Dr. Platt intend to contest these counterclaims vigorously and believe we will ultimately prevail. However, if we do not prevail, there could be a material adverse impact on our financial position, results of operations or cash flows.

### Item 2. Changes in Securities

On April 7, 2004, we closed a private equity offering, structured as a "PIPE" (Private Investment in Public Equity) and in reliance on the exemption under Section 4(2) of the Securities Act of 1933, in which we sold to institutional investors 1,236,111 shares of our common stock and 618,056 five-year warrants (exercisable at $5.30 per share, subject to adjustment) at $3.60 per share. We received proceeds of approximately $3,984,000 net of transaction expenses of approximately $466,000 (inclusive of placement agent commissions). The placement agent also received 61,806 warrants (exercisable at $5.30 per share, subject to adjustment). Pursuant to contemporaneous registration rights agreements, we registered the resale of the shares (including shares issuable upon exercise of the warrants) by the investors and the placement agent on Form S-3 (file no. 333-115118), which the Securities and Exchange Commission declared effective on May 13, 2004.

**Item 4. Submission of Matters to a Vote of Security Holders**

The following matters were submitted to a vote of our stockholders at our Annual Meeting of Stockholders held on May 25, 2004, with vote tabulations as indicated below.

1. Stockholders who voted elected eight directors to one-year terms. The vote tabulations for individual directors were as follows:

| Name | Shares For | Shares Withheld |
|---|---|---|
| Edgar Ben-Josef | 20,151,473 | 5,968 |
| Mildred S. Christian | 20,145,873 | 11,568 |
| Dale H. Conaway | 20,151,473 | 5,968 |
| Burton C. Firtel | 20,151,473 | 5,968 |
| David Platt | 20,151,473 | 5,968 |
| Steven Prelack | 20,151,473 | 5,968 |
| Jerald K. Rome | 20,150,473 | 6,968 |
| David H. Smith | 20,151,473 | 5,968 |

2. Stockholders who voted adopted the Pro-Pharmaceuticals, Inc. 2003 Non-Employee Director Stock Incentive Plan by a vote of 15,460,658 votes for, 876,566 votes against, 462,634 abstentions and 3,357,583 broker non-votes.

3. Stockholders who voted approved an amendment of our Articles of Incorporation to increase the number of authorized “undesignated” shares of capital stock from 5,000,000 to 10,000,000 by a vote of 16,491,783 votes for, 290,408 votes against, 17,667 abstentions and 3,357,583 broker non-votes.

4. Stockholders who voted approved an amendment of the Pro-Pharmaceuticals, Inc. 2001 Stock Incentive Plan to increase the number of shares subject to such plan from 2,000,000 to 5,000,000 by a vote of 15,791,769 votes for, 476,288 votes against, 529,801 abstentions and 3,357,583 broker non-votes.

5. Stockholders who voted approved the ratification of the appointment of Deloitte & Touche LLP as our independent auditors for the year ending December 31, 2004 by a vote of 20,142,341 for, 15,000 against, 100 abstentions and 0 broker non-votes.

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

| Exhibit Number | Description of Document |
|---|---|
| 3.3 | Certificate of Amendment to Articles of Incorporation of Pro-Pharmaceuticals, Inc. filed with the Nevada Secretary of State on May 28, 2004 |
| 31.1 | Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 |
| 31.2 | Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

(b) Reports on Form 8-K

On June 23, 2004, we filed a Current Report on Form 8-K under Item 5 which contained an exhibit of our press release dated such date to report interim Phase I results of our clinical trial of DAVANAT®- 1 in refractory solid tumor cancer patients.

On April 9, 2004, we filed a Current Report on Form 8-K under Item 5 to report the completion of a private placement of 1,236,111 shares of common stock and 618,056 common stock warrants.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 16, 2004.

PRO-PHARMACEUTICALS, INC.

By /s/ David Platt

Name: David Platt, Ph.D.
Title: Chief Executive Officer

/s/ Charles F. Harney

Name: Charles F. Harney
Title: Chief Financial Officer

**Exhibit 3.3**

DEAN HELLER
Secretary of State
204 North Carson Street, Suite 1
Carson City, Nevada 89701-4299
(775) 684-5708
Website: secretaryofstate.biz

**Certificate of Amendment to Articles of Incorporation**
**For Nevada Profit Corporations**

**(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)**

1. Name of corporation:
   Pro-Pharmaceuticals, Inc.

2. The articles have been amended as follows (provide article numbers, if available):

   Article III of the Articles of Incorporation of Pro-Pharmaceuticals, Inc., a Nevada corporation, has been amended to read in its entirety as follows:

   "ARTICLE III

   Authorized Shares

   The corporation shall have the authority to issue an aggregate of 100,000,000 shares which shall be common voting shares having a par value of $0.001 per share, and 10,000,000 undesignated shares having a par value of $0.01 per share. The Board of Directors may, from time to time, prescribe by resolution different classes or series of the undesignated shares, the number of shares of each such class or series within the limit of the authorized undesignated shares, and the voting powers, designations, rights, preferences, limitations, restrictions and relative rights of said shares in each such class or series."

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is: 16,583,283 in favor.

4. Effective date of filing (optional):

5. Officer Signature (required) /s/ David Platt

   David Platt, President

**Exhibit 31.1**

**Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, David Platt, certify that:

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

Date: August 16, 2004

/s/ David Platt

Name: David Platt
Title: President and Chief Executive Officer (Principal Executive Officer)

**Exhibit 31.2**

**Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Charles F. Harney, certify that:

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

Date: August 16, 2004

/s/ Charles F. Harney

Name: Charles F. Harney
Title: Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

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

In connection with the Quarterly Report of Pro-Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Platt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2004

/s/ David Platt

Name: David Platt
Title: President and Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Pro-Pharmaceuticals, Inc. and will be retained by Pro-Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

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

In connection with the Quarterly Report of Pro-Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles F. Harney, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 16, 2004

/s/ Charles F. Harney

Name: Charles F. Harney
Title: Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Pro-Pharmaceuticals, Inc. and will be retained by Pro-Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.