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

FORM 10-Q/A

(Amendment No. 2)

(Mark One)

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

For the quarterly period ended March 31, 2012

☐ 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.: 333-146182

Biozone Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**20-5978559**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

550 Sylvan Avenue
Suite 101
Englewood Cliffs, NJ 07632
(Address of principal executive offices)

Issuer's telephone number: **(201) 608-5101**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 21, 2012, there were 60,436,165 shares of our common stock outstanding.

Transitional Small Business Disclosure Format: Yes ☐ No ☒

Explanatory Note

Overview

Biozone Pharmaceuticals, Inc. (the Company), is filing this Amendment No. 2 to its Quarterly Report on Form 10-Q (the "Amendment") to amend and restate the Company's previously issued and unaudited interim financial statements and related financial information as of March 31, 2012 and for the three months ended March 31, 2012, which was originally filed with the Securities and Exchange Commission on May 21, 2012 and amended on August 17, 2012. As described below and in Note 1, the restatement adjusts the Company's accounting for certain convertible promissory notes of the Company.

Background

During the Company's review of the amended financial statements for the three months ended March 31, 2012, previously filed on Form 10-Q/A on August 17, 2012, the Company determined that the financial statements filed for the period ended March 31, 2012 contained a misstatement relating to its accounting treatment of a beneficial conversion feature associated with convertible notes issued on February 24, 2012. Specifically, the Company did not need to record a beneficial conversion feature because the amount exceeded the amount of proceeds allocated to the convertible notes. ASC 470-20-30-8 states that if the intrinsic value of the beneficial conversion feature is greater than the proceeds allocated to the convertible instrument, the amount of the discount assigned to the beneficial conversion feature shall be limited to the amount of the proceeds allocated to the convertible instrument

Effects of Restatement

The tables below present the effect of the financial statement adjustments related to the restatement of our previously reported financial statements as of and for the three month period ended March 31, 2012. The effect of the restatement on the consolidated balance sheet as of March 31, 2012 is as follows:

March 31, 2012	As Reported	Adjustments	As Restated
Additional paid-in capital	$ 9,737,416	$ (5,750,000)	$ 3,987,416
Accumulated deficit	(15,559,513)	5,750,000	(9,809,513)

The effect of the restatement on the consolidated income statement for the three months ended March 31, 2012 is as follows:

	As Reported	Adjustments	As Restated
Interest Expense	(9,222,845)	5,750,000	(3,472,845)
Loss before income taxes	(9,396,036)	5,750,000	(3,646,036)
Net loss	(9,396,036)	5,750,000	(3,646,036)
Net loss per common share	$ (0.17)	$ 0.11	$ (0.06)

The effect of the restatements on the consolidated statement of cash flows for the three months ended March 31, 2012 is as follows:

2012	As Reported	Adjustments	As Restated
Net loss	$ (9,396,036)	$ 5,750,000	$(3,646,036)
Non-cash interest expense	5,777,397	(5,750,000)	27,397

Consistent with the information above, the Company has revised the following items in this Form 10-Q/A:

Part I
Item 1- Financial Statements (Unaudited) including Notes 1and 7 to the condensed consolidated Financial Statements
Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Additionally, in this Amendment, the Company is including currently dated certifications from the Company's Principal Executive Officer and Principal Financial Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002 in Exhibits 31.1 and a currently dated certification from the Company's Principal Executive Officer and Principal Financial Officer as require by Section 906 of the Sarbanes-Oxley Act of 2002 in Exhibit 32.1.

Except to the extent described above and set forth herein, the financial statements and other disclosures in the Form 10-Q initially filed on May 21, 2012 (the "Form 10-Q") and amended on Form 10-Q/A on August 17, 2012, (the "Amended Form 10-Q") are unchanged and this amendment does not reflect any events that have occurred after the Form 10-Q, as amended by the Amended Form 10-Q was filed. Accordingly, this amendment should be read in conjunction with the Company's Form 10-Q, as amended by the Amended Form 10-Q, and the Company's subsequent filings with the United States Securities and Exchange Commission.

In light of the restatement, readers should not rely on the Company's previously filed financial statements as of and for the three month period ended March 31, 2012.

Quarterly Report on Form 10-Q/A for the

Three months ended March 31, 2012

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PART 1: FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

BIOZONE PHARMACEUTICALS, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (Unaudited) Restated	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 76,883	$ 416,333
Account receivable net of allowance for doubtful accounts $458,524 and $449,524, respectively	1,036,358	523,039
Inventories	1,741,737	1,819,751
Prepaid expenses and other current assets	381,227	145,313
Total current assets	3,236,205	2,904,436
Property and equipment, net	3,484,297	3,342,447
Deferred financing costs, net	23,409	25,319
Goodwill	1,026,984	1,026,984
Intangibles, net	233,311	247,450
	4,768,001	4,642,200
Total Assets	$ 8,004,206	$ 7,546,636
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Account payable	1,170,169	1,616,673
Accrued expenses and other current liabilities	1,035,238	1,181,852
Accrued interest	27,397	83,548
Notes payable - shareholder	1,099,715	1,099,715
Convertible notes payable	1,095,833	2,050,000
Deferred income tax	102,022	102,022
Derivative instruments	6,002,102	883,619
Current portion of long term debt	241,149	260,741
Total current liabilities	10,773,625	7,278,170
Long Term Debt	2,995,742	3,037,591
Shareholders' deficiency		
Common stock, $.001 par value, 100,000,000 shares authorized, 56,936,165 and 55,181,165 shares issued and outstanding at March 31, 2012, and December 31,2011, respectively	56,936	55,181
Additional paid-in capital	3,987,416	3,339,171
Accumulated deficit	(9,809,513)	(6,163,477)
Total shareholders' deficiency	(5,765,161)	(2,769,125)
Total liabilities and shareholders' deficiency	$ 8,004,206	$ 7,546,636

See accompanying notes to consolidated financial statements

BIOZONE PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2012	**2011**
	Restated	
Sales	$ 3,510,042	$ 2,797,468
Cost of sales	(2,064,881)	(1,499,458)
Gross profit	1,445,161	1,298,010
Operating Expenses:		
General and adminstrative expenses	1,593,369	992,164
Selling expenses	221,561	138,088
Research and development expenses	221,614	64,867
Total Operating Expenses	2,036,544	1,195,119
Income (Loss) from operations	(591,383)	102,891
Interest expense	(3,472,845)	(109,591)
Change in fair value of derivative liability	418,192	-
Equity in loss of unconsolidated subsidiary		(6,595)
Loss before income taxes	(3,646,036)	(13,295)
Income taxes	-	-
Net loss	$ (3,646,036)	$ (13,295)
Net loss per common share	$ (0.06)	$ (0.00)
Basic and diluted weighted average common shares outstanding	56,366,331	44,749,999

See accompanying notes to consolidated financial statements

BIOZONE PHARMACEUTICAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2012 Restated	Three Months Ended March 31, 2011
Cash flows from operating activities		
Net loss	$ (3,646,036)	$ (13,295)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	9,000	7,000
Depreciation & Amortization	114,716	76,433
Amortization of financing costs	1,910	6,750
(Loss) on change in fair value of derivative liability	(418,192)	-
Interest expense related to warrants	3,332,508	-
Equity interest in subsidiary	-	6,595
Non-cash interest expense	27,397	1,849
Changes in assets and liabilities:		
Account receivable-trade	(522,319)	6,634
Inventories	78,014	(430,441)
Prepaid expenses and other current assets	(235,914)	2,714
Deferred taxes	-	7,060
Accounts payable	(446,504)	(270,618)
Accrued expenses and other current liabilities	(230,162)	137,080
Net cash used in operating activities	(1,935,582)	(462,239)
Cash flows from investing activities		
Purchase of property and equipment	(242,427)	(24,902)
Cash acquired on business combination		
Net cash used in investing activities	(242,427)	(24,902)
Cash flows from financing activities		
Proceeds from convertible debt	3,300,000	2,250,000
Proceeds from sale of common stock	650,000	-
Payment of deferred financing costs	-	(150,364)
Borrowings from noteholders	-	406,647
Repayment of borrowings from noteholders	(2,111,441)	(29,597)
Payment to shareholder	-	(1,355)
Net cash provided by financing activities	1,838,559	2,475,331
Net increase (decrease) in cash and cash equivalents	(339,450)	1,988,190
Cash and cash equivalents, beginning of period	416,333	251,475
Cash and cash equivalents, end of period	$ 76,883	$ 2,239,665
Supplemental disclosures of cash flow information:		
Interest paid	$ 223,885	$ 107,742

See accompanying notes to consolidated financial statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and note disclosures required by accounting principles generally accepted in the United States. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the Securities and Exchange Commission (the "SEC") on April 16, 2012. In the opinion of management, this interim information includes all material adjustments, which are of a normal and recurring nature, necessary for fair presentation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include assumptions used in determining the fair value of securities owned and non-readily marketable securities.

The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the entire year or for any other period.

Restatement of March 31, 2012 Financial Statement: During the Company's review of the financial statements for the three and six months ended June 30, 2012, previously filed on form 10-Q on August 14, 2012 the Company determined that the financial statements filed for the period ended June 30, 2012 contained a misstatement relating to its accounting treatment of a beneficial conversion feature associated with convertible notes issued on February 24, 2012. Specifically, the Company did not need to record a beneficial conversion feature because the amount exceeded the amount of proceeds allocated to the convertible notes. ASC 470-20-30-8 states that if the intrinsic value of the beneficial conversion feature is greater than the proceeds allocated to the convertible instrument, the amount of the discount assigned to the beneficial conversion feature shall be limited to the amount of the proceeds allocated to the convertible instrument.

Background

During the Company's review of the financial statements for the three months ended March 31, 2012, previously filed on form 10-Q/A on August 17, 2012 the Company determined that the financial statements filed for the period ended March 31, 2012 contained a misstatement relating to its accounting treatment of a beneficial conversion feature associated with convertible notes issued on February 24, 2012. Specifically, the Company did not need to record a beneficial conversion feature because the amount exceeded the amount of proceeds allocated to the convertible notes. ASC 470-20-30-8 states that if the intrinsic value of the beneficial conversion feature is greater than the proceeds allocated to the convertible instrument, the amount of the discount assigned to the beneficial conversion feature shall be limited to the amount of the proceeds allocated to the convertible instrument

Effects of Restatement

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Except to the extent described above and set forth herein, the financial statements and other disclosures in the Form 10-Q initially filed on May 21, 2012 (the initial Form 10-Q) are unchanged and this amendment does not reflect any events that have occurred after the initial Form 10-Q was filed. Accordingly, this amendment should be read in conjunction with the Company's initial Form 10-Q and the Company's subsequent filings with the United States Securities and Exchange Commission.

2. Business Description and Going Concern

Biozone Pharmaceuticals, Inc. (formerly, International Surf Resorts, Inc.; the "Company", "we", "our") was incorporated under the laws of the State of Nevada on December 4, 2006. On March 1, 2011, we changed our name from International Surf Resorts, Inc.to Biozone Pharmaceuticals, Inc.

On May 16, 2011, we acquired substantially all of the assets and assumed all of the liabilities of Aero Pharmaceuticals, Inc. ("Aero") pursuant to an Asset Purchase Agreement dated as of that date. Aero manufactures, markets and distributes a line of dermatological products under the trade name of Baker Cummins Dermatologicals (see Note 4).

On June 30, 2011, we acquired: (i) 100% of the outstanding common stock of BioZone Laboratories, Inc. ("BioZone Labs") in exchange for 19,266,055 shares of our common stock; (ii) 100% of the outstanding membership interests of Equalan, LLC ("Equalan") and Equachem, LLC ("Equachem") in exchange for 1,027,523 and 385,321 shares of our common stock, respectively; and (iii) 45% of the outstanding membership interests of BetaZone Laboratories, LLC ("BetaZone") in exchange for 321,101 shares of our common stock. The acquired entities shared substantially common ownership prior to the foregoing acquisition. (We refer to BioZone Labs, Equalan, Equachem and BetaZone, collectively as the "BioZone Lab Group").

BioZone Labs was incorporated under the laws of the State of California in 1991. Equalan was formed as a limited liability company under the laws of the State of California on January 2, 2007. Equachem was formed as a limited liability company under the laws of the State of California on March 12, 2007 under the name Chemdyn, LLC and changed its name to Equachem, LLC on July 25, 2007. BetaZone was formed as a Florida limited liability company on November 7, 2006.

The BioZone Lab Group has operated since inception as a developer, manufacturer, and marketer of over-the-counter drugs and preparations, cosmetics, and nutritional supplements on behalf of health care product marketing companies and national retailers. The Company has been developing its proprietary drug delivery technology (the "BioZone Technology") as an enhancement for approved, generic prescription drugs that are limited due to poor stability or bioavailability or variable absorption.

The Company accounted for the acquisition of the BioZone Lab Group as a "reverse acquisition". Accordingly, the Company is considered the legal acquirer and the BioZone Lab Group is considered the accounting acquirer. The current and future financial statements will be those of the BioZone Lab Group, and Aero from the date of acquisition.

These consolidated financial statements are presented on the basis that we will continue as a going concern concept which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Our current balances of cash will not meet our working capital and capital expenditure needs for the next twelve months. In addition, as of March 31, 2012 we have a shareholder deficiency of $5,765,161 and negative working capital of $7,537,420. Because we are not currently generating sufficient cash to fund our operations, we may need to rely on external financing to meet future operating, debt repayment and capital requirements. These conditions raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty.

3. Summary of Significant Accounting Policies

Revenue Recognition. We follow the guidance of the SEC's Staff Accounting Bulletin ("SAB") 104 for revenue recognition and Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition". The Company operates as a contract manufacturer and produces finished goods according to customer specifications. The agreements with customers do not contain any rights of return other than for goods that fail to meet the specifications provided by the customer. The Company has not experienced any significant returns from customers and accordingly, in management's opinion, no reserve for returns is provided. We record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the selling price to the customer is fixed or determinable and collectability of the revenue is reasonably assured.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned, its equity investment in Betazone, Inc. and 580 Garcia Ave, LLC ("580 Garcia") a Variable Interest Entity ("VIE").

The Company considered the terms of its interest in 580 Garcia and determined that 580 Garcia is a VIE in accordance with ACS 810-10-55, which should be consolidated. As of March 31, 2012, amounts included in the consolidated assets relating to 580 Garcia, which are shown in property and equipment, and consolidated liabilities, which are reported in long-term debt, total $769,856 and $2,629,718, respectively. The Company's involvement with the entity is limited to its lease to rent the facility from 580 Garcia, with the Company as the only tenant, and the guarantee of the mortgage on the property of 580 Garcia. The Company's maximum exposure to loss, which is based on the Company's guarantee of the mortgage of 580 Garcia, is $2,629,718, which equals the carrying amount of its liability as of March 31, 2012.

Our significant unconsolidated subsidiary, which is accounted for using the equity method of accounting, is our investment in Betazone.

Convertible Instruments. We evaluate and account for conversion options embedded in convertible instruments in accordance with ASC 815 "Derivatives and Hedging Activities". Applicable Generally Accepted Accounting Principles ("GAAP") requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

We account for convertible instruments (when we have determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: We record when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

Common Stock Purchase Warrants. We classify as equity any contracts that require physical settlement or net-share settlement or provide us a choice of net-cash settlement or settlement in our own shares (physical settlement or net-share settlement) provided that such contracts are indexed to our own stock as defined in ASC 815-40 ("Contracts in Entity's Own Equity"). We classify as assets or liabilities any contracts that require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside our control) or give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). We assess classification of our common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Our derivative instruments consisting of warrants to purchase our common stock were valued using the Black-Scholes option pricing model, using the following assumptions at March 31, 2012:

Estimated dividends	None
Expected volatility	100%
Risk-free interest rate	0.83%
Expected term	4.25 years

Goodwill. Goodwill represents the excess of the consideration transferred over the fair value of net assets of business purchased. Goodwill is not being amortized but is evaluated for impairment on at least an annual basis.

4. Aero Acquisition

On May 16, 2011, we acquired the assets and assumed the liabilities of Aero in exchange for a total of 8,331,396 shares of our common stock valued at $2 million. The acquisition was accounted for under the acquisition method of accounting. On September 21, 2011, the Company issued 13,914 shares of common stock to Aero in consideration for the delay in filing the Company's Registration Statement on Form S-1, as required in the Asset Purchase Agreement between the Company and Aero. These shares were valued at $0.50 per share and charged to interest expense.

The Company engaged a leading financial advisory firm specializing in corporate finance and business valuation to determine the fair value of certain identifiable intangible assets of Aero Pharmaceuticals, Inc., which were identified based on an analysis of the transaction, a review of available supporting documents, and discussions with management. The analysis focused on determining which components met the requirements for recognition as an intangible asset separate from goodwill under ASC 805, and had characteristics that allowed its value to be reasonably estimated. This analysis ultimately identified the acquired brands and customer relationships as the qualifying intangible assets subject to amortization, which were valued at $110,000 and $172,800, respectively. Intangible assets recognized apart from goodwill are classified as finite lived (subject to amortization) on the basis of the intangible asset's expected useful life, which was determined to be 5 years.

Accordingly, the purchase price has been allocated to the fair values of tangible and intangible assets acquired and liabilities assumed at the acquisition date as follows:

Financial assets	$ 598,168
Inventory	92,343
Property and equipment	1,377
Financial liabilities	(1,672)
Total identifiable assets	690,216
Goodwill	1,026,984
Intangibles	282,800
	2,000,000

5. Property and Equipment. A summary of property and equipment and the estimated useful lives used in the computation of depreciation and amortization is as follows:

Fixed Asset	Useful Life	March 31, 2012	December 31, 2011
Vehicles	5 years	300,370	300,370
Furniture and Fixtures	10 years	64,540	60,936
Computers	5 years	191,648	191,206
MFG equipment	10 years	4,011,872	3,967,302
Lab Equipment	10 years	988,122	821,639
Bldg/Leasehold	19 years (remainder of lease)	1,635,378	1,608,055
Building	40 years	571,141	571,141
Land	Not depreciated	380,000	380,000
		8,143,071	7,900,649
Accumulated depreciation		(4,658,774)	(4,558,202)
Net		3,484,297	3,342,447

6. Equity Method Investments. Our significant unconsolidated subsidiary, which is accounted for using the equity method of accounting, is our investment in Betazone. Summarized financial information for our investment in Betazone assuming 100% ownership interest is as follows:

	March 31, 2012	December 31, 2011
Balance sheet		
Current assets	$ 74,874	$ 124,462
Current liabilities	186,522	131,672
Statement of operations		
Revenues	8,114	315,346
Net loss	$ (86,544)	$ (102,047)

In 2011, when the Company's share of losses equaled the carrying value of its investment, the equity method of accounting was suspended, and no additional losses were charged to operations. The Company's unrecorded share of losses for the three months ended March 31, 2011 totaled $38,945.

7. Convertible Notes Payable

The "March 2011 Notes"

On March 29, 2011, the Company sold 10% secured convertible promissory notes in the amount of $2,250,000, (the "March 2011 Notes") and warrants (the "March Warrants") to purchase securities of the Company in the Target Transaction Financing, pursuant to a Securities Purchase Agreement entered into on February 22, 2011 (the "Securities Purchase Agreement" and the "Private Placement").

The March 2011 Notes, extended as described below , originally were scheduled to mature on the earlier of October 29, 2011 or the closing date of the Target Transaction Financing (such earlier date, the “Maturity Date”). The entire principal amount and any accrued and unpaid interest was due and payable in cash on the Maturity Date.

We recorded the liability for the March 2011 Notes at an amount equal to the full consideration received upon issuance, without considering the Warrant value because the determination of the number of warrants and the exercise price of the warrants is dependent on the closing date of, and the price of securities issued in the Target Transaction Financing, which has yet to take place.

Effective October 28, 2011, the purchasers of the March 2011 Notes (the “Note Holders”) agreed to extend the maturity date of the Notes (the “Extension Agreement”) to October 29, 2011 (the “New Maturity Date”) (see Note 5). As consideration for the agreement by the Note Holders to enter into the Extension Agreement, the Company (i) issued to the Note Holders an aggregate of 112,500 shares of its common stock, par value $0.001 per share and (ii) paid to the Investors, an aggregate of $129,000 of interest for the period beginning on February 28, 2011 (the date the Note Holders placed the principal amount in escrow) and ending on March 28, 2011. The Company agreed to provide piggyback registration rights with respect to the 112,500 shares on the same terms and conditions provided for the registrable securities in the Registration Rights Agreement contained in the Private Placement.

The Company agreed that if it fails to repay the March 2011 Notes on or before the New Maturity Date, then in addition to the interest due under the March 2011 Notes, the Company would pay an additional 2% (annualized) for each 30 day period all or any portion of the principal or accrued interest remain unpaid, subject to a maximum aggregate interest rate of 20% (the sum of the 10% interest rate plus 2% for each 30 day delay period), with such 2% being calculated on the full principal amount regardless of whether any portion thereof has been repaid by the Company and such full amount accruing as of the day following the New Maturity Date and then upon each 30 day anniversary of the New Maturity Date.

On December 8, 2011 the Company repaid $200,000 to one of the note holders. In March 2012, the Company repaid in full all of the outstanding principal and accrued interest due with respect to the March 2011 Notes.

The “September 2011 Note”

On September 22, 2011, the Company issued a 10% unsecured convertible promissory note with a principal amount of $500,000, due on March 22, 2012 (the “September 2011 Note”) and a warrant (the “September Warrant”) to purchase certain securities of the Company in the Target Transaction Financing, pursuant to a Securities Purchase Agreement entered into on that date.

On November 30, 2011, the note and accrued interest were converted into 1,018,356 shares of common stock, par value $0.001 per share. The Company also issued the holder a warrant to purchase 500,000 shares of common stock at an exercise price of $1.00 per share.

The “OPKO Notes”

On February 24, 2012, the Company entered into a Securities Purchase Agreement (the “Securities Purchase Agreement”) with OPKO Health Inc. (the “Buyer”) pursuant to which the Company sold (i) $1,700,000 of its 10% secured convertible promissory note (the “Note”) due two years from the date of issuance (the “Maturity Date”) and (ii) warrants (the “Warrants”) to purchase 8,500,000 shares of the Company’s common stock at an exercise price of $0.20 per share for gross proceeds to the Company of $1,700,000. On February 28, 2012 and February 29, 2012, the Company sold an additional $600,000 of its Notes and issued Warrants to purchase an additional 3,000,000 shares of the Company’s common stock to additional Buyers for gross proceeds to the Company of $600,000.

The entire principal amount and any accrued and unpaid interest on the Notes shall be due and payable in cash on the Maturity Date. The Notes bear interest at the rate of 10% per annum. The Notes are convertible into shares of the Company's common stock at an initial conversion price of $0.20 per share, subject to adjustment. The Company may prepay any outstanding amount due under the Notes, in whole or in party, prior to the maturity date. The Notes are subject to certain "Events of Defaults" which could cause all amounts due and owing thereunder to become immediately due and payable. Among other things, the Company's failure to pay any accrued but unpaid interest when due, the failure to perform any obligation under the transaction documents (as defined herein) or if any representation or warranty made by the Company in connection with the transaction documents shall prove to have been incorrect in any material respect, shall constitute an Event of Default under the transaction documents.

We determined that, according to ASC 470120-30, a beneficial conversion feature existed based on the intrinsic value of the conversion feature. Due to the fact that the carrying amount of the convertible notes has been reduced to zero, based on the discount allocated from the value of the warrants referred to above, that no beneficial conversion feature is to be recorded. ASC 470-20-30-8 states that if the intrinsic value of the beneficial conversion feature is greater than the proceeds allocated to the convertible instrument, the amount of the discount assigned to the beneficial conversion feature shall be limited to the amount of the proceeds allocated to the convertible instrument.

The Warrant is immediately exercisable and expires ten years after the date of issuance. The Warrant has an initial exercise price of $0.40 per share. The Warrant is exercisable in cash or, while a registration statement covering the shares of Common Stock issuable upon exercise of the Warrant, or an exemption from registration, is not available, by way of a "cashless exercise".

The Company is prohibited from effecting a conversion of the Notes or exercise of the Warrants, to the extent that as a result of such conversion or exercise, the Buyer would beneficially own more than 4.99% (subject to waiver) in the aggregate of the issued and outstanding shares of the Company's common stock, calculated immediately after giving effect to the issuance of shares of common stock upon conversion of such Note or exercise of such Warrant, as the case may be.

In connection with the sale of the Notes and the Warrants, the Company and the collateral agent for the Buyers entered into a Pledge and Security Agreement (the "Security Agreement" and, collectively with the Securities Purchase Agreement, the Note and the Warrant, the "Transaction Documents") pursuant to which all of the Company's obligations under the Notes are secured by a first priority perfected security interest in all of the tangible and intangible assets of the Company, including all of its ownership interest in its subsidiaries.

We determined the initial fair value of the OPKO Notes warrants to be $5,221,172 based on the Black-Scholes option pricing model, which we treated as a liability with a corresponding decrease in the carrying value of the OPKO Notes. Under authoritative guidance, the carrying value of the OPKO Notes may not be reduced below zero. Accordingly, we recorded the excess of the value of the OPKO Notes warrants over the allocated fair value of the OPKO Notes as interest expense incurred at the time of the issuance of the OPKO Notes in the amount of $2,921,172. The discount related to the OPKO Notes will be amortized over the term of the notes as interest expense, calculated using an effective interest method.

The "March 2012 Purchase Order Notes"

On March 13, 2012, the "Company sold a 10% senior convertible promissory note (the "Note") to an accredited investor (the "Investor") for an aggregate purchase price of $1,000,000. The principal amount of the Note is payable in cash on such dates and in such amounts as set forth in the Note, based on the receipt of proceeds from sales to a certain vendor (the "Vendor Proceeds"). The last date of such scheduled payment shall be referred to as the "Final Maturity Date".

The Note bears interest at the rate of 10% per annum. The Company may prepay any outstanding amounts owing under the Note, in whole or in part, at any time prior to the Final Maturity Date. The entire remaining principal amount and all accrued but unpaid or unconverted interest thereof, shall be due and payable on the earliest of (1) the Final Maturity Date, (2) the consummation of a financing by the Company resulting in net proceeds equal to or greater than 1.5 times the remaining outstanding unconverted principal amount hereunder and (3) the occurrence of an Event of Default (as defined in the Note). The Note is convertible into shares of the Company's common stock at an initial conversion price of $1.50 per share.

The Company has not recorded a BCF on the March 2012 Purchase Order Notes due to the effective conversion price being greater than the fair value of the Company's stock at the issuance date.

The Company is prohibited from effecting a conversion of the Note, to the extent that as a result of such conversion, the Investor would beneficially own more than 4.99% (subject to waiver) in the aggregate of the issued and outstanding shares of the Company's common stock, calculated immediately after giving effect to the issuance of shares of common stock upon conversion of the Note.

All of the Company's obligations under the Note are secured by a first priority security interest in the Vendor Proceeds.

The Buyers of the OPKO Notes agreed to subordinate their security interest in the Vendor Proceeds to the interest of the Investor under the Note.

The following table sets forth a summary of all the outstanding convertible promissory notes at March 31, 2012:

Convertible promissory notes issued	6,050,000
Notes repaid	(2,250,000)
Less amounts converted to common stock	(500,000)
	3,300,000
Less debt discount	2,204,167
Balance March 31, 2012	1,095,833

8. Notes Payable – Shareholder . This amount is due to our former Executive Vice President for advances made to the Company, bears interest at a weighted average rate of approximately 10% and is due on demand. The Company is in dispute with the shareholder as to the balance due but has recorded the full amount claimed by the shareholder.

9. Long Term Debt. Long-term debt (excluding capital leases) matures as follow:

	3/31/2012	12/31/2011
Notes payable of Biozone Labs		
Capitalized lease obligations bearing interest at rates ranging from 8.6% to 16.3%, payable in monthly installments of $168 to $1,589, inclusive of interest	$ 265,514	$ 307,255
City of Pittsburg Redevelopment Agency, 3% interest, payable in monthly installments of $3,640 inclusive of interest	251,659	257,639
Other	90,000	90,000
Notes payable of 580 Garcia Properties		
Mortgage payable of 580 Garcia collateralized by the land and building payable in monthly installments of $20,794, inclusive of interest at 7.24% per annum	2,629,718	2,643,438
	$ 3,236,891	$ 3,298,332
Less: current portion	241,149	260,741
	2,995,742	3,037,591

10. Warrants

The January 2012 Warrants

On January 11, 2012 and January 25, 2012 the Company sold an aggregate of 1,300,000 units (the "Units") to accredited investors. Each Unit was sold for a purchase price of $0.50 per Unit and consisted of: (i) one share of Common Stock and (ii) a four-year warrant to purchase .5 shares of Common Stock purchased at an exercise price of $1.00 per share, subject to adjustment upon the occurrence of certain events. The warrants may be exercised on a cashless basis after twelve (12) months from the date of closing if there is no effective registration statement covering the shares of Common Stock issuable upon exercise of the Warrant. These warrants provide the holder with "piggyback registration rights", which obligate us to register the common shares underlying the warrants in the event that we decide to register any of our common stock either for our own account or the account of a security holder (other than with respect to registration of securities covered by certain employee option plans). The terms of the January 2012 Warrants fail to specify a penalty if we fail to satisfy our obligations under these piggyback registration rights. Presumably, we would be obligated to make a cash payment to the holder to compensate for such failure. Based on authoritative guidance, we have accounted for the January 2012 Warrants as liabilities.

As of March 31, 2012, a total of 650,000 January 2012 Warrants remain outstanding, with an exercise price of $0.50 per share.

The "Investor Warrants"

On March 29, 2011 and September 22, 2011, the Company issued warrants (the "Investor Warrants") to purchase securities of the Company in the Target Transaction Financing (Note 7). The Warrants are immediately exercisable and expire five years after the date of issue. Each Warrant has an initial exercise price of 120% of the price of the securities sold in the Target Transaction Financing (the "Financing Share Price"). The Warrant entitles the holder to purchase the number of shares of Common Stock and/or other securities, including units of securities, sold in the Target Transaction Financing equal to the Warrant Coverage (as defined herein) (a) multiplied by the principal amount of the Note (the "Purchase Price") and (b) divided by the Financing Share Price. "Warrant Coverage" means (i) 50% if closed on or prior to 120 days, (ii) 75% if closed after 120 days but before 150 days and (iii) 100%, if closed after 150 days after the closing of the Private Placement. The Warrant is exercisable in cash or by way of a "cashless exercise" during any period that a registration statement covering the shares of Common Stock and/or other securities issuable upon exercise of the Warrant, or an exemption from registration, is not available. The exercise price of the Warrant is subject to a "ratchet" anti-dilution adjustment for a period of one year from the closing of the Private Placement. This adjustment provides that, in the event that the Company issues certain securities at a price lower than the then applicable exercise price, the exercise price of the Warrant will be immediately reduced to equal the price at which the Company issued the securities.

On February 28, 2012, each holder of Investor Warrants entered into a Cancellation Agreement, which provides, among other things, for the cancellation of the Investor Warrants. In exchange, the Company issued to the former holders of the Investor Warrants a total of 1,000,000 warrants of the Company's common stock at an exercise price of $0.60 per share

As of March 31, 2012, a total of 1,000,000 New Warrants remain outstanding, which are recorded as derivative liabilities.

"The OPKO Warrants"

In connection with the sale of the OPKO Notes, we issued warrants (the "OPKO Warrants") entitling the holders to purchase up to 11,500,000 shares of our common stock. The OPKO Warrants expire ten years from date of issuance and have an exercise price of $0.20 per common share. The OPKO Warrants contain a "cashless exercise" feature. These warrants provide the holder with "piggyback registration rights", which obligate us to register the common shares underlying the warrants in the event that we decide to register any of our common stock either for our own account or the account of a security holder (other than with respect to registration of securities covered by certain employee option plans). The terms of the OPKO Warrants fail to specify a penalty if we fail to satisfy our obligations under these piggyback registration rights. Presumably, we would be obligated to make a cash payment to the holder to compensate for such failure. Based on authoritative guidance, we have accounted for the Convertible Note Warrants as liabilities. The liability for the OPKO Warrants, measured at fair value, based on a Black-Scholes option pricing model, has been offset by a reduction in the carrying value of the related Notes. As of March 31, 2012, a total of 11,500,000 OPKO Warrants remain outstanding, with an exercise price of $0.20 per share.

On April 25, 2012, holders of 3,500,000 OPKO Warrants exercised their Warrants through the cashless exercise feature and received a total of 2,636,804 shares of Company common stock.

12. Concentrations. Approximately, 26% and 11% of the Company's sales for the three months ended March 31, 2012 were made to two customers. Our top two customers accounted for 16% and 13% of the Company's sales for the three months ended March 31, 2011.

13. Contingencies

Employment Agreements

On June 30, 2011, the Company entered into three year executive employment agreements with three stockholders, Brian Keller, Christian Oertle and Daniel Fisher, to serve as our President, Chief Operating Officer and Executive Vice President, respectively. The agreements with Messrs. Keller and Fisher provide for annual salaries of $200,000 each and the agreement with Mr. Oertle provides for an annual salary of $150,000. Pursuant to the terms of the agreements, each of these stockholders is eligible to participate in the Company's long term incentive compensation programs and is entitled to an annual bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board, subject to certain claw back rights. The agreements provide for payments of six months' severance in the event of early termination (other than for cause).

On January 30, 2012, Mr. Fisher was removed from his position as Executive Vice President for cause. Pursuant to his employment agreement, Mr. Fisher is entitled to accrued salary through the date of his termination.

Leases

The Company leases its facilities under operating leases that expire at various dates. Total rent expense under these leases is recognized ratably over the initial renewal period of each lease. Total rent and related expenses under operating leases were $175,198 and $158,483 for the three months ended March 31, 2012 and 2011, respectively. Operating lease obligations after 2011 relate primarily to office facilities.

Litigation

We are not involved in any pending legal proceeding or litigation that we believe would have a material impact upon our business or results of operations.

Aphena Pharma Solutions – Maryland, LLC f/k/a Celeste Contract Packaging, LLC, v. BioZone Laboratories, Inc. and BioZone Pharmaceuticals, Inc. and Daniel Fisher, DISTRICT COURT FOR THE DISTRICT OF MARYLAND NORTHERN DIVISION Case 1:12-cv-00852-WDQ

An action was initiated recently against BioZone Labs, BioZone Pharma and a former officer and director in the United States District Court for the District of Maryland. The complaint in that matter, which was filed on March 19, 2012, alleges breach of contract and other commercial wrongdoing in connection with a single purchase order issued during early 2010 relating to the development of certain over the counter products to treat cough and cold symptoms. Although the complaint does not specify the amount of plaintiff's alleged monetary damages, plaintiff's payment associated with the purchase order was less than $190,000. Accordingly, although our investigation into the matter is still in its earliest stages, we do not believe it will have a material impact on our business. In addition, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party, which would reasonably be likely to have a material adverse effect on our business or results of operations.

BioZone Laboratories, Inc. v. ComputerShare Trust Co., N.A. and Cardium Therapeutics, Inc. District Court, State of Colorado, County of Jefferson, Case No. 2012CV406

The Company commenced the above action, by filing of a Summons and Complaint, on February 2, 2012 for declaratory relief, specific performance and monetary damages against Defendants ComputerShare Trust Co., N.A. ("ComputerShare") and Cardium Therepeutics, Inc. ("Cardium") (collectively, the "Defendants"). This action arises from, inter alia, the failure of ComputerShare, which was acting as an escrow agent in connection with the Company's purchase of Cardium stock, to deliver such stock to the Company as required by an Escrow Agreement entered into between the Company and Defendants. By Order, dated March 30, 2012, the Court dismissed this action on the ground that venue was improper in Colorado.

14. Capital Deficiency

On January 11, 2012 and January 25, 2012 the Company sold an aggregate of 1,300,000 units (the “Units”) to accredited investors. Each Unit was sold for a purchase price of $0.50 per Unit and consists of: (i) one share of Common Stock and (ii) a four-year warrant to purchase .5 shares of Common Stock purchased at an exercise price of $1.00 per share, subject to adjustment upon the occurrence of certain events.

On February 27, 2012, the Company issued warrants to purchase 1,000,000 shares of the Company’s common stock at an exercise price of $0.60 per share to the former holders of the March 2011 Notes described in Note 7 – Convertible Notes Payable in connection with the repayment of those notes.

On March 1, 2012, the Company issued 455,000 shares of its common stock to certain individuals who previously purchased shares of the Company's common stock on November 3, 2011 at a purchase price of $1.00 per share.

15. Income Taxes. No provision for income taxes has been recorded due to the 100% valuation allowance provided against net operating loss carry forwards.

16. Subsequent Events

Management has evaluated events occurring after the date of these financial statements through the date these financial statements were issued, other than disclosed below. There were no material subsequent events as of that date.

On April 18, 2012, the Company sold a 10% senior convertible promissory note (the “Note”) to an accredited investor (the “Investor”) for an aggregate purchase price of $250,000. The principal amount of the Note is payable in cash on such dates and in such amounts as set forth in the Note, based on the receipt of proceeds from sales to a certain vendor (the “Vendor Proceeds”). The last date of such scheduled payment shall be referred to as the “Final Maturity Date”.

The Note bears interest at the rate of 10% per annum. The Company may prepay any outstanding amounts owing under the Note, in whole or in part, at any time prior to the Final Maturity Date. The entire remaining principal amount and all accrued but unpaid or unconverted interest thereof, shall be due and payable on the earliest of (1) the Final Maturity Date, (2) the consummation of a financing by the Company resulting in net proceeds equal to or greater than 1.5 times the remaining outstanding unconverted principal amount hereunder and (3) the occurrence of an Event of Default (as defined in the Note). The Note is convertible into shares of the Company’s common stock at an initial conversion price of $1.50 per share.

The Company is prohibited from effecting a conversion of the Note, to the extent that as a result of such conversion, the Investor would beneficially own more than 4.99% (subject to waiver) in the aggregate of the issued and outstanding shares of the Company’s common stock, calculated immediately after giving effect to the issuance of shares of common stock upon conversion of the Note.

All of the Company’s obligations under the Note are secured by a first priority security interest in the Vendor Proceeds.

The Buyers of the OPKO Notes agreed to subordinate their security interest in the Vendor Proceeds to the interest of the Investor under the Note.

On April 25, 2012, holders of 3,500,000 OPKO Warrants exercised their Warrants through the cashless exercise feature and received a total of 2,636,804 shares of Company common stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations contains information that management believes is relevant to an assessment and understanding of our results of operations. You should read this discussion in conjunction with the Financial Statements and Notes included elsewhere in this report and with Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ended December 31, 2011 and Risk Factors contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on April 16, 2012. Certain statements set forth below constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. See "Special Note Regarding Forward-Looking Statements". References to "BioZone," the "Company," "we," "us" and "our" refer to BioZone Pharmaceuticals, Inc. and its subsidiaries.

Company Overview

BioZone Pharmaceuticals, Inc., formerly known as International Surf Resorts, Inc., was incorporated under the laws of the State of Nevada on December 4, 2006 to operate as an internet-based provider of international surf resorts, camps and guided surf tours. The Company proposed to engage in the business of vacation real estate and rentals related to its surf business and it owns the website isurfresorts.com. During late February 2011, the Company began to explore alternatives to its original business plan. On February 22, 2011, the prior officers and directors resigned from their positions and the Company appointed a new President, Director, principal accounting officer and treasurer and began to pursue opportunities in medical and pharmaceutical technologies and products. On March 1, 2011, the Company changed its name to BioZone Pharmaceuticals, Inc.

On May 16, 2011, the Company acquired substantially all of the assets and assumed all of the liabilities of Aero Pharmaceuticals, Inc. ("Aero") pursuant to an Asset Purchase Agreement dated as of that date. Aero manufactures markets and distributes a line of dermatological products under the trade name of Baker Cummins Dermatologicals.

In December 2011, in accordance with the intent of the parties participating in the reverse merger described below, the Company transferred its 55% ownership in ISR de Mexico, S. R.L. de C. V., a Mexican corporation that was owned by the Company during the period prior to February 22, 2011, in return for and cancellation of 13,948,001 shares of the Company's common stock.

Reverse Merger

Pursuant to authoritative accounting guidance, we accounted for the purchase of the BioZone Labs Group as a "Reverse Merger", with each of BioZone Labs, Equalan and Equachem (each as defined below), treated as the accounting survivor.

On June 30, 2011, the Company acquired all of the outstanding shares of BioZone Laboratories, Inc. ("Biozone Labs") and its affiliates. BioZone Labs primarily is engaged in the business of developing and manufacturing Over the Counter ("OTC") drug products and cosmetic and beauty products on behalf of third parties. Equalan LLC ("Equalan"), related to BioZone Labs through common stock ownership, markets a line of proprietary skin care products under the brand names of Glyderm®. Equachem LLC ("Equachem") also related to BioZone Labs through common stock ownership, sells raw materials used in OTC drugs and cosmetic products. We refer to BioZone Labs, Equalan and Equachem as the "BioZone Labs Group". The BioZone Labs Group generated $3.5 and $2.8 million of sales during the periods ended March 31, 2012 and 2011, respectively, of which $3.3 million or 94% and $2.3 million or 91%, respectively, were generated by BioZone Labs from its third party contract manufacturing business.

The BioZone Lab Group has operated since inception as a developer, manufacturer, and marketer of over-the-counter drugs and preparations, cosmetics, and nutritional supplements on behalf of health care product marketing companies and national retailers. The Company has been developing its proprietary drug delivery technology (the "BioZone Technology") as an enhancement for approved, generic prescription drugs that are limited due to poor stability or bioavailability or variable absorption.

Results of Operations

Three months ended March 31, 2012 compared to the three months ended March 31, 2011:

Sales

Sales for the period ended March 31, 2012 and 2011 was $3,510,042 and $2,797,468 respectively. The increase in revenue of $712,574 or 25.5% primarily was attributable to increases in customer orders from increased end-user demand.

Cost of Sales and Gross Profit

Cost of sales for the period ended March 31, 2012 and 2011 was $2,064,881 and $1,499,458, respectively, resulting in gross profit of $1,445,161 and $1,298,010, respectively. The gross profit percentage for the periods ended March 31, 2012 and 2011 was 41% and 46% respectively. The decrease in the gross profit percentage was due to increases in raw material costs, which we were unable to pass along to customers. The increase in gross profit of $147,151 or 11.3% was primarily attributable to increased end user demand for our products.

Operating Expenses

We had total operating expenses of $2,036,544 for the period ended March 31, 2012 as compared to $1,195,119 for the period ended March 31, 2011. The increase in operating expenses of $841,425 is due to an increase in general and administrative expenses $601,205, which is primarily due to an increase in professional fees of approximately $297,000 which consist of legal fees relating to general corporate governance, patent fees, consulting fees and audit and accounting fees as well as small increases in various other accounts. Depreciation and amortization expense increased $33,143 due to the addition of the amortization of intangible assets of $14,139, as well as an increase in fixed assets. Our selling expenses increased by $83,473 or 60.6% to $221,561 for the three months ended March 31, 2012, from 138,088 for the three months ended March 31, 2012 due the the increase in sales. Research and Development expenses increased $156,747, which is primarily due to the opening of our research facility in Princeton, New Jersey and the addition of 5 new staff members.

Interest Expense

We incurred interest expense of $3,472,845 for the period ended March 31, 2012 as compared to $109,591 for the period ended March 31, 2011. The increase in interest expense of $3,363,254 is due to the recording of a debt discount related to the derivative liability of the warrants issued in connection with the OPKO Notes warrants of $2,926,171 and the issuance of warrants in January 2012 valued as a deriviative liability of $185,589, with the remaining increase due to interest payments related to the repayment of the March 2011 Notes.

Change in value of derivative instruments

We recorded a gain of $418,192 on the fair value of our derivative instruments for the period ended March 31, 2012 compared to the prior year period when we had no derivative instruments to value.

Net Loss / Income

As a result of the foregoing, we realized a net loss of $3,646,036 for the period ended March 31, 2012 as compared to a net loss of $13,295 for the period ended March 31, 2011, an increase in net loss of $3,632,741.

Evaluation of Disclosure Controls and Procedures

We believe that our disclosure controls and procedures were ineffective as a result of the lack of segregation of duties and responsibilities with respect to our cash control over the disbursements related thereto. The lack of segregation of duties resulted from our limited accounting staff. Although neither management nor our independent auditors discovered any significant errors in the preparation of our financial statements, the lack of multiple levels of review and segregation of duties could lead to error or fraud and is considered a per se material weakness in internal controls over financial reporting.

Liquidity and Capital Resources

As of March 31, 2012, our current assets were $3,236,205, as compared to $2,904,436 at December 31, 2011. As of March 31, 2012, our current liabilities were $10,773,625, as compared to $7,278,170 at December 31, 2011. Operating activities used net cash of $1,935,582 for the period ended March 31, 2012, as compared to using net cash of $462,239 for the period ended March 31, 2011.

During the period ended March 31, 2012, investing activities used net cash of $242,427, comprised primarily of cash used for the purchase of property and equipment. During the period ended March 31, 2011, investing activities used net cash of $24,902.

During the period ended March 31, 2012, cash of $1,838,559 was provided by financing activities, consisting of proceeds from the issuance of convertible notes of $3,300,000, and the sale of common stock of $650,000. This was offset by repayment of convertible notes payable of $2,050,000 and repayments of debt of $61,441, as compared to net cash provided by financing activities of $2,475,331 during the three-month period ended March 31, 2011, which consisted of proceeds from convertible notes of $2,250,000 and borrowings from note holders of $406,647, offset by repayments of existing debt of $30,952, and the payment of financing costs of $150,364.

Our net loss for the period ended March 31, 2012 and 2011, respectively was a loss of $3,646,036 and a loss of $13,295. We anticipate that we will continue to generate losses from operations for the foreseeable future as we invest in research and development activities in furtherance of our business plan of advancing our drug delivery technology. As of March 31, 2012, we had cash and cash equivalents of $76,883 and negative working capital of $7,537,420.

The increase in net loss of $3,632,741 between the period ended March 31, 2012 and the period ended March 31, 2011 largely is attributable to our goal of changing the business of the Company from a vacation real estate and rentals business to a OTC and cosmetic and beauty product manufacturer and investing in research and development activities related to our drug delivery technology.

We are in the process of reviewing our contract manufacturing cost structure to identify inefficiencies and opportunities for reductions. Also, we are reviewing our sales efforts and programs to identify opportunities for increasing sales volume. We anticipate that these efforts will reduce or eliminate ongoing losses from our contract manufacturing business and allow us to continue contract manufacturing operations for the foreseeable future.

Our current balances of cash will not meet our working capital and capital expenditure needs for the next twelve months. Because we are not currently generating sufficient cash to fund our operations and we have debt that is in default, we may need to rely on external financing to meet future operating, debt repayment and capital requirements. Any projections of future cash needs and cash flows are subject to substantial uncertainty. We can make no assurance that financing will be available in amounts or on terms acceptable to us, if at all. Further, if we issue equity securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences, or privileges senior to those of existing holders of common stock, and debt financing, if available, may involve restrictive covenants that could restrict our operations or finances. If we cannot raise funds, when needed, on acceptable terms, we may not be able to continue our operations, grow market share, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements, all of which could negatively impact our business, operating results, and financial condition. These conditions raise substantial doubt about our ability to continue as a going concern.

Off–Balance Sheet Arrangements

As of March 31, 2012 we had no material off-balance sheet arrangements other than operating leases.

Contractual Obligations

On June 30, 2011, the Company entered into three year executive employment agreements with three stockholders, Brian Keller, Christian Oertle and Daniel Fisher, to serve as our President, Chief Operating Officer and Executive Vice President, respectively. The agreements with Messrs. Keller and Fisher provide for annual salaries of $200,000 each and the agreement with Mr. Oertle that provides for an annual salary of $150,000. Pursuant to the terms of the agreements, each of these executives is eligible to participate in the Company's long term incentive compensation programs and is entitled to an annual bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board, subject to certain claw back rights. The agreements provide for payments of six months' severance in the event of early termination (other than for cause).

On January 30, 2012, Mr. Fisher was removed from his position as Executive Vice President for cause. Pursuant to his employment agreement, Mr. Fisher is entitled to accrued salary through the date of termination.

Impact of Inflation

The impact of inflation upon our revenue and income/(loss) from continuing operations during each of the past two fiscal years has not been material to our financial position or results of operations for those years because we do not maintain significant inventories whose costs are affected by inflation.

Properties

Our facilities are located in Pittsburg, California, Princeton, New Jersey, Miami, Florida and Englewood Cliffs, New Jersey.

BioZone Labs manufactures its products in a 20,000 square feet, cGMP facility owned by 580 Garcia Avenue, LLC, its consolidated VIE and fills and stores its products at a 60,000 square feet rented facility located at 701 Willow Pass Road, Pittsburg, CA. The lease for the Willow Pass Road facility expires on April 30, 2015 and provides for annual rentals of approximately $343,000.

We lease approximately 1,500 square feet of office space at 4400 Biscayne Boulevard, Miami, Florida. We employ two sales professionals for our Baker Cummins brand proprietary skin care products, both of whom are located in Miami, Florida. The lease expires on October 31, 2012 and provides for annual rentals of approximately $23,700. Our rent expense for our Miami facility through the end of the lease is $20,650.

In July 2011, we entered into a lease for approximately 3,869 square feet of laboratory space in Princeton, New Jersey where we conduct research and development activities related to our proprietary drug delivery technology. The lease expires on July 20, 2016. Rent expense is approximately $8,065 per month.

Our corporate headquarters is located at 550 Sylvan Avenue, Englewood Cliffs, New Jersey, where we lease approximately 800 square feet of office space. The lease expires on June 30, 2012. Rent expense is approximately $1,450 per month.

Seasonality

Many of our products include cough/cold remedies, which are often sold in the winter months. Accordingly, our business is cyclical. Approximately two thirds of our revenue is generated in the second half of the calendar year.

Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and related disclosures in the financial statements. Management considers an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made, and changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations or financial condition.

Basis of Consolidation

The consolidated financial statements include the accounts of Biozone Pharmaceuticals, Inc. and its subsidiaries, all of which are wholly owned, its equity investment in Betazone, Inc. and its 580 Garcia Ave, a Variable Interest Entity ("VIE").

The Company considered the terms of its interest in 580 Garcia and determined that it was a VIE in accordance with ACS 810-10-55, which should be consolidated. As of March 31, 2012, amounts included in the consolidated assets, which are shown in Property and equipment and consolidated liabilities, which are reported in long-term debt total $769,856 and $2,629,718, respectively relating to 580 Garcia. The Company's involvement with the entity is limited to the lease it has to rent its facility from 580 Garcia, in which the Company is the only tenant, and the guarantee of the mortgage on the property of 580 Garcia. The Company's maximum exposure to loss, which is based on the Company's guarantee of the mortgage of 580 Garcia is $2,629,718, which equals the carrying amount of its liability as of March 31, 2012.

The Company accounts for its investment in Betazone by the equity method since it has significant influence but not operating control over this entity. Condensed financial information of Betazone as of and theperiod ended March 31, 2012 and for the year ended December 31, 2011 is as follows:

	March 31, 2012	December 31, 2011
Balance sheet		
Current assets	$ 74,874	$ 124,462
Current liabilities	186,522	131,672
Statement of operations		
Revenues	8,114	315,346
Net loss	$ (86,544)	$ (102,047)

Convertible Instruments. We evaluate and account for conversion options embedded in convertible instruments in accordance with ASC 815 "Derivatives and Hedging Activities". Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

We account for convertible instruments (when we have determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: We record when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

Common Stock Purchase Warrants. We classify as equity any contracts that require physical settlement or net-share settlement or provide us a choice of net-cash settlement or settlement in our own shares (physical settlement or net-share settlement) provided that such contracts are indexed to our own stock as defined in ASC 815-40 ("Contracts in Entity's Own Equity"). We classify as assets or liabilities any contracts that require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside our control) or give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). We assess classification of our common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Derivative Instruments. Our derivative financial instruments consist of embedded derivatives related to the convertible debt, warrants and beneficial conversion features embedded within our convertible debt. The accounting treatment of derivative financial instruments requires that we record the derivatives and related warrants at their fair values as of the inception date of the debt agreements and at fair value as of each subsequent balance sheet date. Any change in fair value was recorded as non-operating, non-cash income or expense at each balance sheet date. If the fair value of the derivatives was higher at the subsequent balance sheet date, we recorded a non-operating, non-cash charge. If the fair value of the derivatives was lower at the subsequent balance sheet date, we recorded non-operating, non-cash income.

Research and Development. Research and development expenditures are charged to operations as incurred.

Revenue Recognition. BioZone Labs operates as a contract manufacturer and produces finished goods according to customer specifications. Equalan sells its merchandise directly to dermatologists and to an online retailer. Equachem operates as a reseller of pharmaceutical raw materials and licensor of intellectual property. The agreements with customers for each of the companies do not contain any rights of return other than for goods that fail to meet the specifications provided by the customer. None of the companies has experienced any significant returns from customers and accordingly, in management's opinion, no reserve for returns is provided. We record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the selling price to the customer is fixed or determinable and collectability of the revenue is reasonably assured.

Revenue from the licensing of intellectual property is recorded when reported to us by the licensee.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this quarterly report. They have concluded that, based on such evaluation, our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting as of March 31, 2012, as described in our Form 10-K for the year ended December 31, 2011 filed with the SEC on April 16, 2012.

Changes in Internal Controls Over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 5. OTHER

None

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.1 Certification of Chief Executive Officer pursuant to Rule 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

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.

Biozone Pharmaceuticals, Inc.

Dated: October 2, 2012

By: /s/ Elliot Maza
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Elliot Maza, certify that:

1. I have reviewed this report on Form 10-Q/A of Biozone 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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. I have disclosed, based on my 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.

Dated: October 2, 2012

/s/ Elliot Maza
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial and Accounting 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 Biozone Pharmaceuticals, Inc., a Nevada corporation (the “Company”), on Form 10-Q/A for the period ended March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Elliot Maza, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 result of operations of the Company.

Dated: October 2, 2012

/s/ Elliot Maza
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial and Accounting Officer)