-----BEGIN PRIVACY-ENHANCED MESSAGE----- Proc-Type: 2001,MIC-CLEAR Originator-Name: webmaster@www.sec.gov Originator-Key-Asymmetric: MFgwCgYEVQgBAQICAf8DSgAwRwJAW2sNKK9AVtBzYZmr6aGjlWyK3XmZv3dTINen TWSM7vrzLADbmYQaionwg5sDW3P6oaM5D3tdezXMm7z1T+B+twIDAQAB MIC-Info: RSA-MD5,RSA, HX5mZA1yqsPr6vnq9mnLNs7cwoX5b+WVoOH+xifT/aa0/F+TzWJKqxwoDp0iQJv9 BCl9pH5+qedYRDeiAf4cnw== 0000921895-97-000343.txt : 19970930 0000921895-97-000343.hdr.sgml : 19970930 ACCESSION NUMBER: 0000921895-97-000343 CONFORMED SUBMISSION TYPE: 10-Q PUBLIC DOCUMENT COUNT: 6 CONFORMED PERIOD OF REPORT: 19970331 FILED AS OF DATE: 19970514 SROS: AMEX FILER: COMPANY DATA: COMPANY CONFORMED NAME: SHEFFIELD MEDICAL TECHNOLOGIES INC CENTRAL INDEX KEY: 0000894158 STANDARD INDUSTRIAL CLASSIFICATION: 2834 IRS NUMBER: 760372381 STATE OF INCORPORATION: DE FISCAL YEAR END: 1231 FILING VALUES: FORM TYPE: 10-Q SEC ACT: SEC FILE NUMBER: 001-12584 FILM NUMBER: 97605510 BUSINESS ADDRESS: STREET 1: 666 FIFTH AVENUE STREET 2: 13TH FLOOR CITY: NEW YORK STATE: NY ZIP: 10103 BUSINESS PHONE: 2129576600 MAIL ADDRESS: STREET 1: 30 ROCKEFELLER PLAZA STREET 2: SUITE 4515 CITY: NEW YORK STATE: NY ZIP: 10112 FORMER COMPANY: FORMER CONFORMED NAME: SHEFFIELD MEDICAL TECHNOLOGIES INC DATE OF NAME CHANGE: 19940606
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FORM 10QSB/A

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1997
Commission File Number 1-12584

SHEFFIELD MEDICAL TECHNOLOGIES INC.
(Exact Name Of Registrant In Its Charter)

DELAWARE	13-3808303
(State of Incorporation)	(IRS Employer Identification No.)

30 ROCKEFELLER PLAZA, SUITE 4515	
NEW YORK, NEW YORK	10112
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 957-6600

Indicate by check 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 /X/ No / /

The number of shares outstanding of the issuer's Common Stock is 11,388,274 shares of Common Stock as of March 31, 1997.

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SHEFFIELD MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

INDEX

SHEFFIELD MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEETS

	March 31, 1997	December 31, 1996
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,027,503	$ 1,979,871
Marketable securities	219,585	460,768
Prepaid expenses and other current assets	28,969	43,975
Total current assets	3,276,057	2,484,614
Property and equipment:		
Laboratory equipment	185,852	185,852
Office equipment	80,157	89,019
Leasehold improvements	61,390	61,390
	327,399	336,261
Less accumulated depreciation and amortization	170,921	162,007
Net property and equipment	156,478	174,254
Segregated cash	75,000	75,000
Other assets	39,417	40,016
Total assets	$ 3,546,952	$ 2,773,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 332,565	$ 446,965
Sponsored research payable	1,172,310	580,157
Capital lease obligation-current portion	22,626	23,719
Total current liabilities	1,527,501	1,050,841
Capital lease obligation - non-current portion	20,749	27,206
Cumulative convertible redeemable preferred stock, $.01 par value. Authorized, 3,000,000 shares; issued and outstanding, 35,700 and 0 shares, at March 31, 1997 and December 31, 1996, respectively	357	--
Additional paid-in capital associated with cumulative convertible redeemable preferred stock	3,211,779	--
Stockholders' equity:		
Common stock, $.01 par value. Authorized, 30,000,000 shares; issued and outstanding, 11,388,274 shares at March 31, 1997 and December 31, 1996	113,883	113,883

Notes receivable in connection with sale of stock	(110,000)	(110,000)
Additional paid-in capital	28,319,838	28,319,838
Unrealized loss on marketable securities	(280,415)	(39,232)
Deficit accumulated during development stage	(29,256,740)	(26,588,652)
	(1,213,434)	1,695,837
Total liabilities and stockholders' equity	$ 3,546,952	$ 2,773,884

See accompanying notes to unaudited consolidated financial statements.

SHEFFIELD MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES
(a development stage enterprise)
Consolidated Statements of Operations
For the three months ended March 31, 1997 and 1996 and for the period from
October 17, 1986 (inception) to March 31, 1997
(Unaudited)

	Three months ended March 31,		October 17, 1986 (inception) to March 31,
	1997	1996	1997
Revenues:			
Sub-license revenue	$ --	$ --	$ 510,000
Interest income	18,225	16,515	415,138
Total revenue	18,225	16,515	925,138
Expenses:			
Research and development	1,938,037	1,239,791	17,461,234
General and administrative	745,597	430,548	12,640,289
Interest	2,679	1,829	123,142
Total expenses	2,686,313	1,672,168	30,224,665
Loss before extraordinary item	(2,668,088)	(1,655,653)	(29,299,527)
Extraordinary item	--	--	42,787
Net loss	$ (2,668,088)	$(1,655,653)	$(29,256,740)
Loss per share of common stock:			
Loss before extraordinary item	$ (0.23)	$ (0.17)	$ (6.62)
Extraordinary item	--	--	0.01
Net loss	$ (0.23)	$ (0.17)	$ (6.61)
Weighted average common shares outstanding	11,388,274	9,656,540	4,426,210

See accompanying notes to unaudited consolidated financial statements.

SHEFFIELD MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES
(a development stage enterprise)
Consolidated Statements of Cash Flows
For the three months ended March 31, 1997 and 1996 and for the period from
October 17, 1986 (inception) to March 31, 1996

(Unaudited)

	Three months ended March 31,		October 17, 1986 (inception) to March 31,
	1997	1996	1997
Cash outflows from development stage activities and extraordinary gain:			
Loss before extraordinary item	$(2,668,088)	$(1,655,653)	$(29,299,527)
Extraordinary gain on extinguishment of debt	--	--	42,787
Net loss	(2,668,088)	(1,655,653)	(29,256,740)
Adjustments to reconcile net loss to net cash used by development stage activities:			
Issuance of common stock, stock options/warrants for services	--	--	1,541,003
Non-cash interest expense	--	--	50,000
Issuance of common stock for license	--	--	5,216
Securities acquired under sub-license agreement	--	--	(500,000)
Issuance of common stock for intellectual property rights	--	--	866,250
Amortization of organizational and debt issuance costs	--	--	77,834
Depreciation	12,659	18,537	154,203
Amortization	5,116	--	25,579
Increase in debt issuance and organizational costs	--	--	(77,834)
Decrease (increase) in prepaid expenses and other current assets	15,006	91,684	(88,010)
Decrease (increase) in other assets	600	(116,720)	19,625
Decrease in accounts payable, accrued liabilities	(114,400)	(26,576)	(244,505)
Increase in sponsored research payable	592,153	17,537	1,749,380
Net cash used by development stage activities	(2,156,954)	(1,671,191)	(25,677,999)
Cash flows from investing activities:			
Acquisition of laboratory and office equipment	--	(44,314)	(263,809)
Increase in segregated cash	--	--	(75,000)
Increase in notes receivable in connection with sale of stock	--	--	(240,000)
Payments of notes receivable	--	--	130,000
Net cash used by investing activities	--	(44,314)	(448,809)
Cash flows from financing activities:			
Principal payments under capital lease	(7,550)	(5,491)	(29,078)
Conversion of convertible, subordinated notes	--	--	749,976
Proceeds from issuance of debt	--	--	550,000
Proceeds from issuance of common stock	--	--	13,268,035
Proceeds from issuance of cumulative convertible redeemable preferred stock	3,212,136	--	3,212,136
Proceeds from exercise of stock options	--	137,175	1,337,677
Proceeds from exercise of warrants	--	1,766,003	10,064,481
Net cash and cash equivalents provided by financing activities	3,204,586	1,897,687	29,153,227

Net increase in cash and cash equivalents	1,047,632	182,182	3,026,419
Cash and cash equivalents at beginning of period	1,979,871	1,860,577	1,084
Cash and cash equivalents at end of period	$ 3,027,503	$ 2,042,759	$ 3,027,503
Noncash investing and financing activities:			
Common stock, stock options and warrants issued for services	$ --	$ --	$ 1,541,003
Common stock issued for license	--	--	5,216
Common stock issued for intellectual property rights	--	--	866,250
Common stock issued to retire debt	--	--	600,000
Securities acquired under sub-license agreement	--	--	500,000
Unrealized depreciation of investments	241,183	--	280,415
Equipment acquired under capital lease	--	72,453	72,453
Notes payable converted to common stock	--	--	749,976
Supplemental disclosure of cash flow information:			
Interest paid	$ 2,679	$ 1,829	$ 123,142

See accompanying notes to unaudited consolidated financial statements.

SHEFFIELD MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES
(a development stage enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997
(UNAUDITED)

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated balance sheets as of March 31, 1997 and December 31, 1996 and the accompanying consolidated statements of operations and cash flows for the three months ended March 31, 1997 and 1996 and for the period from October 17, 1986 (inception) to March 31, 1997, have been prepared by Sheffield Medical Technologies Inc. (the "Company"), without audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position, results of operations, and changes in cash flows at March 31, 1997 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 1996. The results of operations for the three months ended March 31, 1997 and 1996 are not necessarily indicative of the operating results for the full years.

The Company was incorporated on October 17, 1986, under the Canada Business Corporations Act. The Company's wholly-owned subsidiary, U-Tech Medical Corporation ("U-Tech") was incorporated in the state of Texas on January 13, 1992 and is inactive at March 31, 1997. On January 10, 1996, Ion Pharmaceuticals, Inc., a Delaware corporation ("Ion"), was formed as a wholly-owned subsidiary of the Company. At that time, Ion acquired the Company's rights with respect to its anti-proliferative technology. Unless the context requires otherwise, Sheffield, U-Tech and Ion are referred to as "the Company". The Company commenced its biotechnology operations in the United States in January 1992 under new management and Sheffield became domesticated as a Wyoming corporation in May 1992. At the Annual Meeting of shareholders of the Company held on January 26, 1995, the Company's shareholders approved the proposal to reincorporate the Company in Delaware, which was effected on June 13, 1995. All significant intercompany transactions are eliminated in consolidation.

The Company is in the development stage and as such has been principally engaged in licensing and research efforts. The Company has generated minimal operating revenue and requires additional capital, which the Company intends to obtain through equity and debt offerings to continue to operate its business. The Company's ability to meet its obligations as they become due and to continue as a going concern must be considered in light of the expenses, difficulties and delays frequently encountered in starting a new business, particularly since the Company will focus on research, development and unproven technology which may require a lengthy period of time and substantial expenditures to complete. Even if the Company is able to successfully develop new products or technologies, there can be no assurance the Company will generate sufficient revenues from the sale or licensing of such products and technologies to be profitable. Management believes that the Company's ability to meet its obligations as they become due and to continue as a going concern through December 1997 are dependent upon obtaining additional financing.

2. NET LOSS PER COMMON SHARE

Net loss per common share is based on net loss for the relevant period divided by the weighted average number of shares issued and outstanding during the period. Stock options, common stock issuable upon conversion of warrants and common stock issuable upon the conversion of cumulative convertible redeemable preferred stock are not reflected as their effect would be antidilutive for both primary

and fully diluted earnings per share computations.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, EARNINGS PER SHARE, which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. The impact of Statement 128 on the calculation of primary and fully diluted earnings per share is not expected to be material.

3. PRIVATE PLACEMENT

On February 28, 1997, the Company completed a private placement of 35,700 shares of its 7% Series A Cumulative Convertible Redeemable Preferred Stock (the "Series A Preferred Stock"), which raised total gross proceeds of $3.5 million. The proceeds of this offering are being used to fund research and development, patent prosecution and for working capital and general corporate purposes, including the possible acquisition of rights in new technologies in the Company's ordinary course of business.

Dividends on the Series A Preferred Stock are cumulative from the date of original issue at an annual rate of 7% per share payable in common stock on the date of each conversion at the then applicable conversion rate. The Series A Preferred Stock is redeemable by the holders under certain circumstances through February 28, 1999. Holders of Series A Preferred Stock also have the right to convert any or all shares of Series A Preferred Stock into shares of common stock at a defined conversion rate ending on February 28, 1999. The Series A Preferred Stock had a liquidation value of $3,570,000 at March 31, 1997.

4. SUPPLY AND LICENSE AGREEMENTS

In March 1997, the Company exercised its option and entered into exclusive supply and license agreements for the world-wide rights to the multi-dose inhaler technology (MSI) of Siemens A.G. The agreements call for Siemens to be the exclusive supplier of the MSI system, a hand-held, portable pulmonary deliverysystem. The Company paid a license fee of $1.1 million in April 1997 to Siemens pursuant to its agreements and is required to make additional payments to Siemens of DM 2.0 million on January 1, 1998 and 1999.

5. SUBSEQUENT EVENT

On April 25, 1997, the Company acquired Camelot Pharmacal, L.L.C., of St. Louis, Missouri, a privately held emerging pharmaceutical company. The members of Camelot's management team have been appointed officers of the Company and Loren G. Peterson, a principal of Camelot, has been named Chief Executive Officer of the Company

and has joined the Company's Board of Directors. Consideration for this transaction was 600,000 shares of Company common stock. In addition, the members of the Camelot management team have been granted options to acquire 1.2 million common shares exercisable at market price as of the date of grant.

ITEM 2:

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

The Company, being a development stage enterprise, has incurred a net loss in each of the fiscal years since its inception and has had to rely on outside sources of funds to maintain its liquidity. Substantial operating losses are expected to be incurred for the next several years as the Company expends its resources for product acquisition, sponsored research and development and preclinical and clinical testing.

As a development stage company without significant revenues, the Company has financed its technology development activities and operations primarily through public and private offerings of securities, from which it has raised an aggregate of approximately $28.4 million through March 31, 1997. On February 28, 1997, the company completed a private offering of 35,000 shares of its 7% Series A Cumulative Convertible Redeemable Preferred Stock, which raised total gross proceeds of $3.5 million. The proceeds of this offering are being used to fund research and development, patent prosecution and for working capital and general corporate purposes, including the possible acquisition of rights in new technologies in the Company's ordinary course of business. Management estimates that based on its successful history of raising capital, its plans to seek additional funds through planned offerings and the continued focus on selling, licensing and commercialization of its technologies, the Company will have sufficient resources to fund its activities for at least the next twelve months. There can be no assurance that planned securities offerings will be completed or, if not completed as planned, that other sources of capital can be obtained in amounts and upon terms acceptable to the Company during the twelve month period. In the event that such funds are not available when needed, the Company would be required to reduce or delay its funding of current research projects and delay making commitments for future research projects. The Company's operating results have fluctuated significantly during each quarter since its reorganization, and the Company anticipates that such fluctuations, largely attributable to varying sponsored research and development commitments and expenditures, will continue into the foreseeable future.

The Company continues to conduct scientific research, clinical trials, development, and intellectual property protection. During the three months ended March 31, 1997, the Company funded $1.9 million for research and development on its projects of which $1.1 million represents the license fee for entering into

exclusive supply and license agreements for the world-wide rights to Siemens' multi-dose inhaler (MSI). During the succeeding 12-month period, approximately $6.3 million in additional funding is projected to be incurred on clinical and laboratory research and development. Of this estimated funding of $6.3 million, approximately $150,000 is expected to be applied to the HIV/AIDS Vaccines, $150,000 to the UGIF Technology-Prostate Cancer, $250,000 to the Membrane Attack Complex (MAC)/Complement Technology, $950,000 to the Ion Pharmaceuticals Technologies and $4,800,000 to the MSI.

In addition to clinical and laboratory research development, the Company expects to incur ongoing costs in connection with its intellectual property protection and patent prosecution, which costs are expected to approximate $100,000 over the next 12 months.

REVENUES AND EXPENSES

Revenues:

From inception through the period ended March 31, 1997, the Company has earned sub-license revenue of $510,000 primarily from the sub-license agreement for its liposome-CD4 technology.

From inception through the period ended March 31, 1997, the Company has earned interest income of $415,138 and an extraordinary item from gain on early extinguishment of debt of $42,787. The Company's ability to generate material revenues is contingent on the successful commercialization its technologies and other technologies which it may acquire, followed by the successful marketing and commercialization of such technologies through licenses, joint ventures or other arrangements.

Interest income for the three months ended March 31, 1997 was $18,225 compared to $16,515 for the same period ended March 31, 1996. The increase in interest earned is attributable to an increase of cash invested in short-term investments Except for the sub-license revenue mentioned above, interest income represented all of the Company's income in each of the prior periods.

Operating Expenses:

From inception through the period ended March 31, 1997, the Company incurred $30,224,665 of operating expenses. Of the total operating expenses for that period, $17,461,234 were costs of research and development for the Company's technologies. The remainder of expenses for the same period were incurred principally as consulting costs, costs of management, legal and other professional fees and expenses relating to the Company's technologies, and for its completed and proposed financing plans. Research and development costs are expected to remain high as the Company implements later-stage research projects of its technologies and such costs will continue to be expensed for financial reporting purposes.

Operating expenses for the three months ended March 31, 1997, were $2,686,313 compared to $1,672,168 for the same period ended March 31, 1996. The increase in research and development expenses was primarily due to the payment of $1.1 million for the acquisition of an exclusive supply and license agreement for the world-wide rights to Siemens' multi-dose inhaler (MSI). The increase in general and administrative expenses was primarily due to increased salary expense as a result of the additions to the Company's management team and higher professional fees.

LIQUIDITY AND CAPITAL RESOURCES

In February 1993, the Company conducted its initial United States public offering of 833,334 Units, each Unit consisting of two shares of Common Stock and one Redeemable Common Stock Purchase Warrant exercisable for one share of Common Stock at a price of $3.75, subject to adjustment in certain circumstances, at any time until February 10, 1998 (the "public offering"). The net proceeds of the public offering to the Company, after payment of Underwriter's discounts and commissions, non-accountable expenses and reimbursable expenses, and other expenses of the public offering, were approximately $4,190,000. Also, during fiscal year 1993, the Company received $762,833 in total proceeds from the exercise of warrants. In March 1994 a total of $3,121,164 was received from the exercise of 832,324 of the Company's Redeemable Stock Purchase Warrants. Each such warrant was exercisable for one share of Sheffield's Common Stock at an exercise price of $3.75.

In April 1995, the Company completed a private placement of 410,075 units to accredited investors at a price of $8.00 per unit for gross proceeds of $3,280,600. Each such unit consists of two shares of the Company's common

stock and a warrant to purchase one share of common stock at a price of $5.00 at any time to and including February 10, 2000. The warrants are redeemable by the Company under certain circumstances. In July 1995, the Company completed a second private placement of 1,375,000 units at $4.00 per unit, which grossed $5,500,000. Each such unit consists of one share of the Company's common stock and one warrant to purchase one share of common stock at a price of $4.50 at any time from March 1, 1996 to and including February 10, 2000. The warrants are subject to redemption under certain conditions.

On April 30, 1996, the Company completed a warrant discount program through which the Company offered holders of warrants issued in private placements completed in 1995 the opportunity to exercise such warrants at up to a 12 1/2% discount from the actual exercise prices of such warrants. A total of $5.6 million was received from the exercise of such warrants and the related issuance of 1,373,250 shares of common stock.

On February 28, 1997, the Company completed a private offering of 35,000 shares of its 7% Series A Cumulative Convertible Redeemable Preferred Stock, which raised total gross proceeds of $3.5 million. The proceeds of this offering are

being used to fund research and development, patent prosecution and for working capital and general corporate purposes, including the possible acquisition of rights in new technologies in the Company's ordinary course of business.

In March 1997, the Company exercised its option and entered into exclusive supply and license agreements for the world-wide rights to Siemens' multi-dose inhaler (MSI). The agreements call for Siemens to be the exclusive supplier of the MSI system, a hand-held, portable pulmonary delivery system. The Company paid Siemens a license fee of $1.1 million in April 1997 pursuant to its agreements and is required to make additional payments of DM 2.0 million on January 1, 1998 and 1999.

In addition to the potential commercialization of its technologies, the Company plans to seek additional funds through financings, joint ventures or other commercial arrangements to obtain necessary working capital. It is not uncommon, for instance, for a third-party commercial partner to enter into a license agreement with a development company, on the merits of successful research relating to a given technology, which would yield up-front royalty advances to such company before market-ready products are developed. It is also not uncommon for a third-party commercial partner to enter into an agreement with a development company whereby a third party will contribute funds in support of the research and operating needs of such development companies in consideration for rights related to the technologies.

At March 31, 1997, the Company's assets were $3.5 million of which $3.2 million was cash and cash equivalents and marketable securities.

THIS REPORT CONTAINS CERTAIN 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, WHICH ARE INTENDED TO BE COVERED BY THE SAFE HARBORS CREATED HEREBY. ALL FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTY, INCLUDING WITHOUT LIMITATION, THE SUCCESSFUL DEVELOPMENT AND LICENSING OF THE COMPANY'S TECHNOLOGIES AND THE SUCCESSFUL COMPLETION OF PLANNED FINANCINGS. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE REASONABLE, ANY OF THE ASSUMPTIONS COULD BE INACCURATE, AND THEREFORE, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS REPORT WILL PROVE TO BE ACCURATE. IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD-LOOKING STATEMENTS INCLUDED HEREIN, THE INCLUSION OF SUCH INFORMATION SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES AND PLANS OF THE COMPANY WILL BE ACHIEVED.

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

EXHIBITS

NO. DESCRIPTION

10.1 Agreement and Plan of Merger Among the Company, CP Pharmaceuticals, Inc. Camelot Pharmacal, L.L.C., David A. Byron, Loren G. Peterson and Carl S. Siekmann, dated April 25, 1997.

10.2 Employment Agreement dated as of April 25, 1997 between the Company and David A. Byron.

10.3 Employment Agreement dated as of April 25, 1997 between the Company and Loren G. Peterson.

10.4 Employment Agreement dated as of April 25, 1997 between the Company and Carl S. Siekmann

27 Financial Data Schedule

No reports on Form 8-K were filed by the Company during the quarter ended March 31, 1997

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHEFFIELD MEDICAL TECHNOLOGIES INC.

Dated: May 14, 1997 /S/ LOREN G. PETERSON

Loren G. Peterson
Chief Executive Officer

Dated: May 14, 1997 /S/ GEORGE LOMBARDI

George Lombardi
Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)

EX-10.1
2
AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER

By and Among

Sheffield Medical Technologies Inc.

CP Pharmaceuticals, Inc.
Camelot Pharmacal, L.L.C.
Loren G. Peterson
Carl F. Siekmann
and
David A. Byron

- - ----------

Dated as of April 25, 1997

- - ----------

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (the "Agreement"), dated as of April 25, 1997, by and among Sheffield Medical Technologies Inc., a Delaware corporation ("Parent"), CP Pharmaceuticals, Inc., a Delaware corporation ("Acquisition Corp."), Camelot Pharmacal, L.L.C., a Missouri limited liability company ("Camelot"), and Loren G. Peterson, Carl F. Siekmann and David A. Byron (each a "Member" and, collectively, "Members").

W I T N E S S E T H:
- - - - - - - - - -

WHEREAS, Camelot is a new, development stage limited liability company which is in the process of acquiring and/or developing promising late-stage pharmaceuticals and pharmaceutical technology for commercialization;

WHEREAS, the Board of Directors of the Parent and Acquisition Corp. have determined that it is desirable and in the best interests of their respective corporations and shareholders for Camelot to merge with and into Acquisition Corp. and each of them has unanimously approved this Agreement and the transactions contemplated hereby; and

WHEREAS, the Members have determined that it is desirable and in their best interest to merge Camelot with and into Acquisition Corp. and each of them have approved this Agreement and the transactions contemplated hereby; and

WHEREAS, upon the terms and subject to the conditions hereinafter set forth: (a) Camelot shall be merged with and into Acquisition Corp. (the "Merger") and Acquisition Corp. shall be the surviving entity in the Merger and (b) the issued and outstanding membership interests of Camelot shall be converted into shares of the Parent's common stock, par value $.01 per share ("Parent Common Stock").

WHEREAS, it is intended that the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code") and that this Agreement shall constitute a "plan of reorganization."

NOW, THEREFORE, in consideration of the premises and the representations, warranties, and mutual covenants and agreements herein contained, the parties hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.1 THE MERGER. At the Effective Time (as defined in Section 1.2), subject to and upon the terms and conditions of this Agreement and in accordance with the General Corporation Law of the State of Delaware (the "Delaware Act") and the Limited Liability Company Act of the State of Missouri (the "Missouri Act"), Camelot shall be merged with and into Acquisition Corp., the separate existence of Camelot shall cease, and following the Merger, Acquisition Corp. shall continue as the surviving corporation (as such, the "Surviving Corporation").

SECTION 1.2 EFFECTIVE TIME. As promptly as practicable after the satisfaction or waiver of the conditions set forth in Articles VII and VIII, the parties hereto shall cause the Merger to be consummated by filing certificates of merger with the Secretary of State of each of Delaware and Missouri, in such form as is required by, and executed in accordance with, the relevant provisions of the Delaware Act and the Missouri Act. The time of filing the certificate of merger in respect of the Merger with the Secretary of State of the State of Delaware shall be the "Effective Time."

SECTION 1.3 EFFECT OF THE MERGER. At the Effective Time, the Merger shall be effective as provided in the applicable provisions of the Delaware Act and the Missouri Act. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of Camelot shall vest in Acquisition Corp., and all debts, liabilities and duties of Camelot shall become the debts, liabilities and duties of Acquisition Corp. From and after the Effective Time, the Surviving Corporation shall be a wholly-owned subsidiary of the Parent.

SECTION 1.4 SUBSEQUENT ACTIONS. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any

deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to perfect, confirm, record or otherwise vest in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of Camelot acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger, or otherwise to carry out this Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of Camelot, all such deeds, bills of sale, assignments and assurances, and to take and do, in the name and on behalf of Camelot, all such other actions and things as may be necessary or desirable to perfect, confirm, record or otherwise vest any and all right, title and interest in,

to and under such rights, properties or assets in the Surviving Corporation, or otherwise to carry out this Agreement.

SECTION 1.5 CERTIFICATE OF INCORPORATION; BY-LAWS; DIRECTORS AND OFFICERS. (i) The Certificate of Incorporation of Acquisition Corp., as in effect immediately before the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided by law and such Certificate of Incorporation.

(ii) The By-Laws of Acquisition Corp., as in effect immediately before the Effective Time, shall be the By-Laws of the Surviving Corporation until thereafter amended as provided by law, the Articles of Incorporation of the Surviving Corporation or such By-Laws.

(iii) The directors of Acquisition Corp. immediately before the Effective Time will be the initial directors of the Surviving Corporation, and the officers of Acquisition Corp. immediately before the Effective Time will be the initial officers of the Surviving Corporation, in each case until their successors are elected or appointed and qualified. If, at the Effective Time, a vacancy shall exist on the Board of Directors or in any office of the Surviving Corporation, such vacancy may thereafter be filled in the manner provided by the Delaware Act and the By-Laws of the Surviving Corporation.

SECTION 1.6 CONVERSION OF SECURITIES. As of the Effective Time, by virtue of the Merger and without any action on the part of Parent Acquisition Corp., Camelot or the Members, the issued and outstanding Member Interests in Camelot owned by all of the Members immediately prior to the Effective Time (the "Member Interest") shall cease to be outstanding and shall be converted to the right to receive an aggregate of 600,000 fully paid and non- assessable shares of Parent Common Stock (the "Merger Consideration").

SECTION 1.7 DELIVERY OF MERGER CONSIDERATION.

(i) On the terms and subject to the conditions set forth in this Agreement, the Parent will issue and contribute to the capital of Acquisition Corp. a sufficient number of shares of Parent Common Stock to enable it to pay the Merger Consideration in full in accordance with the terms of this Agreement.

(ii) On the terms and subject to the conditions set forth in this Agreement, Acquisition Corp. shall deliver the Merger Consideration to the Members by delivering to each Member certificates representing the number of

shares of Parent Common Stock as set forth opposite each Member's name in Schedule 1.7.

ARTICLE II

CLOSING

Subject to the satisfaction or waiver of all conditions to the parties' obligations to consummate the Merger set forth herein, the closing of the Merger (the "Closing") shall take place at 10:00 a.m. on May 16, 1997 at the offices of Olshan Grundman Frome & Rosenzweig LLP, 505 Park Avenue, New York, New York, or at such other time and place as Camelot, the Parent, Acquisition Corp. and the Members shall agree (the date and time of such Closing being herein referred to as the "Closing Date").

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF CAMELOT AND THE MEMBERS

Camelot and each of the Members jointly and severally represent and warrant to the Parent and Acquisition Corp. as follows:

Section 3.1 CORPORATE ORGANIZATION; REQUISITE AUTHORITY TO CONDUCT BUSINESS; ARTICLES OF ORGANIZATION AND OPERATING AGREEMENT, ETC. Camelot is a limited liability company duly organized, validly existing and in good standing under the laws of Missouri. Camelot has provided Parent with true and complete copies of Camelot's articles of organization (certified by the appropriate public official in the State of Missouri) and the operating agreement of Camelot and any amendment thereto (the "Camelot Operating Agreement"), in each case as in effect on the date hereof. Camelot has all necessary power and authority to own, operate and lease its properties and to carry on its business as the same is now being conducted, and is duly qualified or licensed to do business and is in good standing as foreign limited liability company in every jurisdiction in which the conduct of its business or the ownership or leasing of its properties requires it to be so qualified or licensed, except where the failure to be so qualified or licensed, individually or in the aggregate, will not have a material adverse effect on the business, properties, assets, liabilities, financial condition or operations of Camelot (a "Camelot Material Adverse Effect").

Section 3.2 MEMBERS' INTEREST. All outstanding Member Interests in Camelot are held by the Members. Camelot does not have outstanding, and is not bound by or subject to, any subscription, option, warrant, call, right, contract, commitment, agreement, understanding or arrangement to issue any additional Member Interests.

Section 3.3 MEMBERS APPROVAL OF MERGER. The Members have approved this Agreement and the transactions contemplated hereby.

Section 3.4 SUBSIDIARIES, ETC. Camelot does not have any subsidiaries and holds no equity interest in any corporation, partnership, limited liability company or other entity.

Section 3.5 AUTHORITY RELATIVE TO AND VALIDITY OF THIS AGREEMENT. Camelot has full corporate power and authority to execute and deliver this Agreement and to assume and perform all of its obligations hereunder. The execution and delivery of this Agreement by Camelot and the performance by Camelot of its obligations thereunder have been duly authorized by all of the Members and no further authorization on the part of Camelot or the Members is necessary to authorize the execution, delivery and the performance by it of this Agreement. There are no contractual, statutory or other restrictions of any kind upon the power and authority of Camelot to execute and deliver this Agreement and to consummate the transactions contemplated hereunder and no action, waiver or consent by any federal, state, municipal or other governmental department, commission or agency ("Governmental Authority") is necessary to make this Agreement valid and binding upon Camelot and the Members in accordance with the terms hereof. This Agreement has been duly executed and delivered on behalf of Camelot and constitutes the legal, valid and binding obligations of Camelot enforceable against Camelot in accordance with its terms, except (i) as such enforceability may be limited by or subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) as such obligations are subject to general principles of equity and (iii) as rights to indemnity may be limited by federal or state securities laws or by public policy.

Section 3.6 REQUIRED FILINGS AND CONSENTS; NO CONFLICT. Neither Camelot nor any Member is required to submit any notice, report or other filing with any Governmental Authority in connection with the execution, delivery or performance of the this Agreement, other than the filing of the certificate of merger referred to in Section 8.7. The execution, delivery and performance of the this Agreement by Camelot and the Members and the consummation of the transactions contemplated hereby do not and will not (a) conflict with or violate any law, regulation, judgment, order or decree binding upon Camelot or any Member, (b) conflict with or violate any provision of the Camelot Articles or the Camelot Operating Agreement or (c) conflict with or result in a breach of any condition or provision of, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of Camelot under, any indenture, loan agreement, mortgage, deed of trust, lease, contract, license, franchise or other agreement or instrument to which Camelot is a party or which is or purports to be binding upon Camelot or by which any of Camelot's properties are bound. The execution, delivery and performance of this Agreement

by Camelot and the consummation of the transactions contemplated hereby will not result in the loss of any license, franchise, legal privilege or permit possessed by Camelot or give a right of termination to any party to any agreement or other instrument to which Camelot is a party or by which any of Camelot's properties are bound.

Section 3.7 FINANCIAL STATEMENTS. The following internally prepared financial statements have been previously delivered to the Parent (collectively the "Financial Statements"):

(i) balance sheet of Camelot as of March 31, 1997 (the "Balance Sheet").

(ii) statement of operations for the three month period ended March 31, 1997 (the "Statement of Operations").

The Financial Statements thereto fairly present in all material respects the financial condition and results of operations of Camelot as of the date thereof with respect to the Balance Sheet and as to the period then ended with respect to the Statement of Operations and have been prepared in accordance with generally accepted accounting principles ("GAAP"), except that a statement of cash flows and all footnote disclosure otherwise required by GAAP have been omitted. Except as disclosed on Schedule 3.7 hereto, Camelot had at March 31, 1997 no material liability or obligation of any kind or manner, either liquidated, unliquidated, direct, accrued, absolute, contingent or otherwise, whether due or to become due which was not accurately reflected in the Financial Statements.

Section 3.8 ABSENCE OF CERTAIN CHANGES AND EVENTS. Since March 31, 1997, except as set forth on Schedule 3.8 hereto, there has not been, with respect to Camelot, (i) any change or event that has caused a Camelot Material Adverse Effect; (ii) any material damage, destruction or loss (whether or not covered by insurance) with respect to any assets or properties; (iii) any distribution in cash, stock or property in respect of Member Interests; (iv) any entry into any material commitment or transaction (including, without limitation, any borrowing or capital expenditure); (v) any transfer, assignment or sale of, or rights granted under, any material leases, licenses, agreements, patents, trademarks, trade names, copyrights or other assets; (vi) any mortgage, pledge, security interest or imposition of any other encumbrance on any assets or properties; (vii) any payment of any debts, liabilities or obligations ("Liabilities") of any kind other than Liabilities currently due; (viii) any cancellation of any debts or claims or forgiveness of amounts owed to Camelot; or (ix) any change in accounting principles or methods. Since March 31, 1997, Camelot has conducted its business only in the ordinary course consistent with it past practices and has not made any

material change in the conduct of its business or operations except as otherwise disclosed herein or in connection with the transactions contemplated hereby.

Section 3.9 TAXES AND TAX RETURNS. (a) For purposes of this Agreement, (i) the term "Taxes" shall mean all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, excise, property, sales, license, payroll and franchise taxes, imposed by the United States, or any state, local or foreign government or subdivision or agency thereof whether computed on a unitary, combined or any other basis; and such term shall include any interest and penalties or additions to tax; and (ii) the term "Tax Return" shall mean any report, return or other information required to be filed with, supplied to or otherwise made available to a taxing authority in connection with Taxes.

(b) Camelot has (i) duly filed with the appropriate taxing authorities all Tax Returns required to be filed by or with respect to Camelot

or such Tax Returns are properly on extension and all such duly filed Tax Returns are true, correct and complete in all material respects, and (ii) paid in full or made adequate provisions for on the Balance Sheet (in accordance with GAAP) all Taxes shown to be due on such Tax Returns. There are no liens for Taxes upon the assets of Camelot, except for statutory liens for current Taxes not yet due and payable or which may thereafter be paid without penalty or are being contested in good faith. Camelot has not received any notice of audit, is not to Camelot's and the Members' knowledge, undergoing any audit of its Tax Returns, and has not received any notice of deficiency or assessment from any taxing authority with respect to liability for Taxes of Camelot that has not been fully paid or finally settled.

(c) Each of the Members has duly (i) filed with the appropriate taxing authorities all Tax Returns required to be filed by them with respect to Camelot, or are properly on extension, and all such duly filed Tax Returns are true, correct and complete in all material respects and (ii) paid in full or made adequate provision for all Taxes, if any, shown to be due on such Tax Returns.

(d) Camelot has filed with the Internal Revenue Service on a timely basis all appropriate election forms required for Camelot to elect to be treated as an association taxable as a corporation.

Section 3.10 EMPLOYEE BENEFIT PLANS. (a) Schedule 3.10 hereto comprises a listing of each bonus, benefit, profit sharing, savings, retirement, liability, insurance, incentive, deferred compensation, and other similar fringe or employee benefit plans, programs or arrangements for the benefit of or relating to, any employee of, or independent contractor or consultant to, and all

other compensation practices, policies, terms or conditions, whether written or unwritten of Camelot (the "Camelot Employee Plans") that Camelot presently maintains, to which Camelot presently contributes or under which Camelot has any liability. The Camelot Employee Plans administered by Camelot have been administered in all material respects in accordance with all requirements of applicable law and terms of each such plan. All contributions (including premiums) in material amounts required by law or contract to have been made or accrued by Camelot under or with respect to any Camelot Employee Plan have been paid or accrued by Camelot. Camelot has not received notice of any investigation, litigation or other enforcement action against Camelot with respect to any of the Camelot Employee Plans. There are no pending actions, suits or claims by former or present employees of Camelot (or their beneficiaries) with respect to Camelot Employee Plans or the assets or fiduciaries thereof (other than routine claims for benefits).

(b) None of Camelot, any trustee, administrator or other fiduciary has engaged in any transaction or acted in a manner that could, or failed to act so as to, subject Camelot or any fiduciary to any liability for breach of fiduciary duty under ERISA or other applicable Law.

Section 3.11 TITLE TO PROPERTY. Camelot has good and marketable title, or valid leasehold rights (in the case of leased property), to all personal property owned or leased by it or used by it in the operation of its

business, free and clear of all encumbrances, excluding (i) liens for taxes, fees, levies, imposts, duties or governmental charges of any kind which are not yet delinquent or are being contested in good faith by appropriate proceedings which suspend the collection thereof; (ii) liens for mechanics, materialmen, laborers, employees, suppliers or other which are not yet delinquent or are being contested in good faith by appropriate proceedings; (iii) liens created in the ordinary course of business in connection with the leasing or financing of office, computer and related equipment and supplies; (iv) easements and similar encumbrances ordinarily created for fuller utilization and enjoyment of property; and (v) liens or defects in title or leasehold rights that either individually or in the aggregate do not and will not have an Camelot Material Adverse Effect. Camelot owns no real property.

Section 3.12 TRADEMARKS, PATENTS AND COPYRIGHTS. Schedule 3.12 hereto sets forth all patents, trademarks, copyrights, service marks and trade names, all applications for any of the foregoing, and all permits, grants and licenses or other rights running to or from Camelot relating to any of the foregoing ("Camelot Rights"). There are no other patents, trademarks, copyrights, service marks or trade names which are material to the business of Camelot or any Subsidiary as presently conducted. To the best of their knowledge, Camelot has the right to use, free and

clear of any claims or rights of others, all trade secrets, know-how, processes, technology, blue prints and designs utilized in or incident to its business as presently conducted ("Trade Secrets") and such use does not infringe on any patent, trademark, copyright, service mark or trade name. Camelot has not received notice of any adversely held patent, invention, trademark, copyright, service mark or trade name of any other person or notice of any claim of any other person relating to any of the Camelot Rights set forth on Schedule 3.12 hereto or any Trade Secret of Camelot and Camelot does not know of any basis for any such charge or claim. To the best of Camelot's and the Members' knowledge, there is no present or threatened use or encroachment of any Trade Secret.

Section 3.13 LEGAL PROCEEDINGS, CLAIMS, INVESTIGATIONS, ETC. Except as set forth on Schedule 3.13, there is no legal, administrative, arbitration or other action or proceeding or governmental investigation pending, or to the knowledge of Camelot, threatened, against Camelot. Camelot has not been informed of any violation of or default under, any laws, ordinances, regulations, judgments, injunctions, orders or decrees (including without limitation, any immigration laws or regulations) of any court, governmental department, commission, agency, instrumentality or arbitrator applicable to the business of Camelot. Camelot is not currently subject to any material judgment, order, injunction or decree of any court, arbitral authority, administrative agency or other governmental authority.

Section 3.14 INSURANCE. Camelot has insurance policies in such amounts as the management of Camelot has reasonably determined to be necessary in regard to its respective business properties, personnel or assets. Camelot is not in default with respect to any provision contained in any insurance policy, and has not failed to give any notice or present any claim under any insurance policy in due and timely fashion. Any such policies shall have been delivered prior to the Closing to the Parent and are in full force and effect. All

payments with respect to such policies are current and Camelot has received any notice threatening a suspension, revocation, modification or cancellation of any such policy.

Section 3.15 MATERIAL CONTRACTS. (a) Set forth in Schedule 3.15 hereto is a description of each contract and commitment (including contracts or commitments pertaining to employment), whether written or oral to which Camelot is a party. Each of the contracts and commitments set forth in Schedule 3.15 hereto and each of the other material contracts and commitments to which Camelot is a party, is valid and existing, in full force and effect and enforceable in accordance with its terms (subject to laws affecting creditors' rights and equitable principles) and there is no material default or claim of default against Camelot or any notice of termination with respect thereto. To the extent required thereby, Camelot has complied in all material respects

with all requirements of, and performed all of its obligations under, such contracts and commitments. In addition, no other party to any such contract or commitment is, to the best of Camelot's knowledge, in default under or in breach of any material term or provision thereof, and there exists no condition or event which, after notice or lapse of time or both, would constitute a material default by any party to any such contract or commitment. Copies of all the written documents and a synopsis of all oral contracts and commitments described in Schedule 3.15 hereto have heretofore been made available to the Parent and are true and complete and include all amendments and supplements thereto and modifications thereof to and including the date hereof.

(b) Except as set forth in Schedule 3.15 hereto, Camelot is not a party to any oral or written (i) agreement with any consultant, executive officer or other key employee the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of the transactions contemplated by this Agreement, or (ii) agreement or plan, including any stock option plan and the like, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of the transactions contemplated by this Agreement.

Section 3.16 CERTAIN TRANSACTIONS. Except as set forth in Schedule 3.16 hereto, neither any Member nor any officer or any employee of Camelot, nor any member of any such person's immediate family is presently a party to any material agreement or transaction with Camelot, including without limitation, any contract, agreement or other arrangement (i) providing for the furnishing of services by, (ii) providing for the rental of real or personal property from, or (iii) otherwise requiring payments to (other than for services as officers or employees of Camelot), any such person or any corporation, partnership, trust or other entity in which any such person has a substantial interest as a stockholder, officer, director, trustee or partner.

Section 3.17 BROKER. No broker, finder or investment banker is entitled to any brokerage or finder's fee or other commission in connection with the transactions contemplated hereby based on the arrangements made by or on behalf of Camelot or the Members.

Section 3.18 ENVIRONMENTAL MATTERS. (a) Camelot is not the subject of, or to the knowledge of Camelot or the Members, being threatened to be the

subject of (i) any enforcement proceeding, or (ii) any investigation, brought in either case under any Federal, state or local environmental law, rule, regulation, or ordinance at any time in effect or (iii) any third party claim relating to environmental conditions on or off the properties of Camelot. Camelot has not been notified that it must obtain any permits and licenses or file documents for the operation of its

business under federal, state and local laws relating to pollution protection of the environment. Except as set forth in Schedule 3.18 hereto, Camelot has not been notified of any conditions on or off the properties of Camelot which may give rise to any liabilities of Camelot under any Federal, state or local environmental law, rule, regulation or ordinance or as the result of any claim of any third party. For the purposes of this Section 3.18, an investigation shall include, but is not limited to, any written notice received by Camelot that relates to the onsite or offsite disposal, release, discharge or spill of any waste, waste water, pollutant or contaminants.

(b) To Camelot's knowledge, there are no toxic wastes or other toxic or hazardous substances or materials, pollutants or contaminants that Camelot (or, to Camelot's knowledge, any previous occupant of Camelot's facilities) has used, stored or otherwise held in or on any of the facilities of Camelot. Camelot has not disposed of or arranged (by contract, agreement or otherwise) for the disposal of any material or substance that was generated or used by Camelot at any off-site location that has been or is listed or proposed for inclusion on any list promulgated by any Governmental Authority for the purpose of identifying sites which pose a danger to health and safety. To the knowledge of Camelot and the Members there have been no environmental studies, reports and analyses made or prepared relating to the facilities of Camelot. Camelot has not installed any underground storage tanks in any of its facilities and, to the best of Camelot's and the Members' knowledge, none of such facilities contain any underground storage tanks.

Section 3.19 COMPLIANCE WITH LAW. Camelot has complied in all material respects with all laws, rules, regulations, arbitral determinations, orders, writs, decrees and injunctions which are applicable to or binding upon Camelot or its properties, except where such failure would not cause an Camelot Material Adverse Effect.

Section 3.20 FULL DISCLOSURE. All schedules and annexes to this Agreement (collectively, "Documents") delivered by or on behalf of Camelot or any Member pursuant to this Agreement are true and complete in all material respects and are authentic. No representation or warranty of Camelot or the Members contained in this Agreement, and no Document furnished by or on behalf of Camelot or the Members to the Parent pursuant to this Agreement, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made, in the context in which made, not materially false or misleading. The Members have advised Parent that Camelot is a new, development stage entity, without current substantial business operations or revenues in respect of its business.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE MEMBERS

Each Member hereby represents and warrants to the Parent and the Acquisition Corp., as follows:

Section 4.1 MEMBERS' INTERESTS. Such Member owns the percentage of the outstanding Member Interests of Camelot set forth opposite his name under the column "Member Interests Held" on Schedule 1.7 hereto, free and clear of all liens, claims or encumbrances.

Section 4.2 AUTHORITY RELATIVE TO AND VALIDITY OF THIS AGREEMENT. This Agreement has been duly executed and delivered by such Member and constitutes the legal, valid and binding obligations of such Member enforceable against such Member in accordance with its terms, except (i) as such enforceability may be limited by or subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) as such obligations are subject to general principles of equity and (iii) as rights to indemnity may be limited by federal or state securities laws or by public policy. Neither the execution and delivery by this Agreement nor the consummation of the transactions contemplated thereby will violate any provision of law, any order of any court or other agency of government, or any judgment, award or decree or any agreement or instrument to which such Member is a party, or by which he or any of his properties or assets is bound or affected, or result in a breach of or constitute (with due notice or lapse of time or both) a default under any such agreement or instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of such Member.

Section 4.3 BROKERS' OR FINDERS' FEES. All negotiations relative to the this Agreement and the transactions contemplated hereby have been carried out by such Member or the other Members directly with the Parent, without the intervention of any person on behalf of the Members, in such manner as not to give rise to any claim by any person against the Parent or Acquisition Corp. for a finder's fee, brokerage commission or similar payment.

Section 4.4 MEMBERS' ADDRESSES, ACCESS TO INFORMATION, EXPERIENCE, ETC.

(a) The address set forth under such Member's name on the signature pages of this Agreement is such Member's true and correct business, residence or domicile address. Such Member has received, read and is familiar with the Parent's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996 (the "1996 10-KSB"). Such Member has had an opportunity to ask questions of

and receive answers from representatives of the Parent concerning the terms and conditions of this transaction. Such Member has received such documentation relating to Parent's business, results of operations and financial condition as

such Member has deemed necessary. Such Member has substantial experience in evaluating non-liquid investments such as the Merger Consideration and is capable of evaluating the merits and risks of an investment in the Parent.

(b) Such Member acknowledges that he has had an opportunity to evaluate all information regarding the Parent as he has deemed necessary or desirable in connection with the transactions contemplated by this Agreement, has independently evaluated the transactions contemplated by this Agreement and has reached his own decision to enter into this Agreement.

Section 4.5 ACCREDITED INVESTOR; PURCHASE ENTIRELY FOR OWN ACCOUNT. Such Member is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The Merger Consideration to be received by such Member pursuant to the terms hereof will be acquired for investment for such Member's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof. Such Member has no present plan or arrangement to dispose of the Merger Consideration in any manner.

Section 4.6 RESTRICTED SECURITIES. Such Member understands that the Merger Consideration he is receiving is characterized as "restricted securities" under the federal securities laws inasmuch as such securities are being acquired in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances. In this regard, Such Member represents that he is familiar with Rule 144 promulgated under the Securities Act ("Rule 144"), as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

Section 4.7 LEGENDS. It is understood that the certificates evidencing the shares of Parent Common constituting the Merger Consideration shall bear a legend substantially as follows:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND MAY NOT BE TRANSFERRED UNTIL (I) A REGISTRATION STATEMENT UNDER THE ACT SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO OR (II) IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION TO THE EFFECT THAT REGISTRATION UNDER THE ACT IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED TRANSFER."

The legend referred to above shall be removed by the Parent from any certificate at such time as the Parent receives an opinion of counsel reasonably satisfactory to the Parent to the effect that such legend is not required in order to establish compliance with any provisions of the Securities Act, or at such time as the holder of such shares satisfies the requirements of Rule 144 under the Securities Act.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE PARENT AND ACQUISITION CORP.

The Parent and Acquisition Corp. hereby represent and warrant to Camelot and the Members as follows:

Section 5.1 CORPORATE ORGANIZATION; REQUISITE AUTHORITY TO CONDUCT BUSINESS; ARTICLES OF INCORPORATION AND BY-LAWS. Each of the Parent and Acquisition Corp. is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Parent and Acquisition Corp. have provided Camelot with true and complete copies of their respective certificate of incorporation (certified by the Secretary of State of Delaware) and By-laws (certified by the Secretary of the Parent) as in effect on the date hereof. Parent and Acquisition Corp. have all corporate power and authority to own, operate and lease their properties and to carry on their respective businesses as the same are now being conducted, and are duly qualified or licensed to do business and are in good standing as foreign corporations in every jurisdiction in which the conduct of their business or the ownership or leasing of their respective properties requires them to be so qualified or licensed, except where the failure to be so qualified or licensed, individually or in the aggregate, will not have a material adverse effect on the business, properties, financial condition or operations of Parent and Acquisition Corp., taken as a whole (a "Sheffield Material Adverse Effect"). Each of the Parent and Acquisition Corp. has all necessary corporate power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby.

Section 5.2 EXECUTION AND DELIVERY. Neither Parent nor Acquisition Corp. are required to submit any notice, report or other filing with any Governmental Authority in connection with the execution, delivery or performance of this Agreement, other than the filing of the certificate of merger referred to in Section 7.7. This Agreement has been duly executed and delivered by each of the Parent and Acquisition Corp. and constitutes the legal, valid and binding obligations of Parent and Acquisition Corp. enforceable against the Parent and Acquisition Corp. in accordance with its terms, except (i) as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium

or other similar laws affecting creditors' rights generally, (ii) as such obligations are subject to general principles of equity and (iii) as rights to indemnity may be limited by federal or state securities laws or by public policy.

Section 5.3 CAPITALIZATION. The authorized capital stock of the Parent consists of (i) 30,000,000 shares of Common Stock, of which 11,388,274 shares were issued and outstanding as of the date of this Agreement and (ii) 3,000,000 shares of preferred stock, par value $.01 per share, of which 35,700 shares of Series A Cumulative Convertible Redeemable Preferred Stock are issued and outstanding as of the date of this Agreement.

Section 5.4 SEC REPORT; ABSENCE OF MATERIAL ADVERSE EFFECT. Parent has made available to Camelot and the Members copies of the 1996 10-KSB as filed with the Securities and Exchange Commission (the "SEC"). As of its date, the 1996 10-KSB (including without limitation, any financial statements or schedules

included therein) did not contain any untrue statement of a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the consolidated financial statements included in the SEC Reports has been prepared from, and are in accordance with, the books and records of the Parent, comply in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the Parent as of the dates thereof and for the periods presented therein. Parent had at December 31, 1996 no material liability or obligation of any kind or manner, either liquidated, unliquidated, direct, accrued, absolute, contingent or otherwise, whether due or to become due which was not accurately reflected in the 1996 10-KSB.

Section 5.5 BROKER. No broker, finder or investment banker is entitled to any brokerage or finder's fee or other commission in connection with the transactions contemplated hereby based upon the arrangements made by or on behalf of the Parent or Acquisition Corp.

Section 5.6 AUTHORITY RELATIVE TO THIS AGREEMENT. Each of Parent and Acquisition Corp. has full corporate power and authority to execute and deliver this Agreement and to assume and perform all of its obligations hereunder. The execution and delivery of the this Agreement by each the Parent and Acquisition Corp. and the performance by Parent and Acquisition Corp. of their respective obligations hereunder have been duly authorized by their respective Boards of Directors and no further authorization on the part of Parent or Acquisition Corp. or their shareholders is

necessary to authorize the execution and delivery by them of, and the performance of their respective obligations under, this Agreement.

Section 5.7 REQUIRED FILINGS AND CONSENTS; NO CONFLICT. Neither Parent nor Acquisition Corp. is required to submit any notice, report or other filing with any Governmental Authority in connection with the execution, delivery or performance of this Agreement. The execution, delivery and performance of this Agreement by Acquisition Corp. and Parent and the consummation of the transactions contemplated hereby do not and will not (a) conflict with or violate any law, regulation, judgment, order or decree binding upon Acquisition Corp. or Parent, (b) conflict with or violate any provision of their certificates of incorporation or by-laws, or (c) conflict with or result in a breach of any condition or provision of, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or result in the creation or imposition of any lien, charge or encumbrance upon, any properties or assets of Parent or Acquisition Corp. pursuant to any indenture, loan agreement, mortgage, deed of trust, lease, contract, license, franchise or other agreement or instrument to which Parent or Acquisition Corp. is a party or which is or purports to be binding upon Parent or Acquisition Corp. or by which either of their properties are bound, except for conflicts, breaches, defaults, events of default or impositions that would not have a Sheffield Material Adverse Effect.

Section 5.8 ABSENCE OF CERTAIN CHANGES AND EVENTS. Except as disclosed in the 1996 10-KSB, since December 31, 1996, there has not been, with respect to the Parent, (i) any change or event that has caused a Sheffield Material Adverse Effect, (ii) any material damage, destruction or loss (whether or not covered by insurance) with respect to any assets or properties or (iii) any change in accounting principles or methods (except insofar as may have been required by a change in GAAP). Except as disclosed in the 1996 10-KSB or in Schedule 5.8 or as contemplated by this Agreement, Parent has not incurred any material liability or entered into any material commitment other than in the ordinary course of the Company's business consistent with past practice.

Section 5.9 TITLE TO PROPERTY. Parent has good and marketable title or valid leasehold rights (in the case of leased property) to all real property and all personal property purported to be owned or leased by it or used by it in the operation of its business.

Section 5.10 LEGAL PROCEEDINGS, CLAIMS, INVESTIGATIONS, ETC. There is no legal, administrative, arbitration or other action or proceeding or governmental investigation pending, or to the knowledge of Parent, threatened, against Parent.

Section 5.11 COMPLIANCE WITH LAW. Parent has complied in all material respects with all laws, rules, regulations, arbitral determinations, orders, writs, decrees and injunctions which are applicable to or binding upon Parent or its properties, except where such failure would not cause a Sheffield Material Adverse Effect.

Section 5.12 TAXES AND TAX RETURNS. Parent has (i) duly filed with the appropriate taxing authorities all Tax Returns required to be filed by or with respect to Parent or such Tax Returns are properly on extension and all such duly filed Tax Returns are true, correct and complete in all material respects, and (ii) paid in full or made adequate provisions for all Taxes shown to be due on such Tax Returns. There are no liens for Taxes upon the assets of Parent, except for statutory liens for current Taxes not yet due and payable or which may thereafter be paid without penalty or are being contested in good faith. Parent has not received any notice of audit, is not to Parent's knowledge, undergoing any audit of its Tax Returns, and has not received any notice of deficiency or assessment from any taxing authority with respect to liability for Taxes of Parent that has not been fully paid or finally settled.

ARTICLE VI

COVENANTS OF CAMELOT, PARENT, ACQUISITIONS CORP. AND THE MEMBERS

Section 6.1 COVENANTS OF CAMELOT AND THE MEMBERS REGARDING CONDUCT OF BUSINESS OPERATIONS PENDING THE CLOSING. Camelot and the Members covenant and agree that between the date of this Agreement and the Closing Date, Camelot will carry on its business in the ordinary course and consistent with past practice and (i) will use its best efforts to preserve its business organization intact, (ii) will use its best efforts to retain the services of its present employees, (iii) will not enter into any material commitments for services or otherwise

without the prior written notification to, and written approval of, such contemplated action by the Parent and (iv) will not purchase, sell, lease or dispose of any material property or assets or incur any material liability or enter into any other material transaction without prior written notification to, and receipt of written approval of, such contemplated action by the Parent. By way of example and not limitation, (except as contemplated hereunder), between the date of this Agreement and the Closing Date, Camelot shall not, directly or indirectly, do any of the following without the prior written consent of the Parent:

(i) issue, sell, pledge, dispose of, encumber, authorize, or propose the issuance, sale, pledge, disposition, encumbrance or authorization of any Member Interests in Camelot;

(ii) take any action other than in the ordinary course of business and in a manner consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to the grant of any severance or termination pay (otherwise than pursuant to its policies in effect on the date hereof) or with respect to any increase of benefits payable under its severance or termination pay policies in effect on the date hereof;

(iii) make any payments (except in the ordinary course of business and in amounts and in a manner consistent with past practice) under any Camelot Employee Plan to any employee, independent contractor or consultant, enter into any new Camelot Employee Plan or any new consulting agreement or grant or establish any awards under such Camelot Employee Plan or agreement, or adopt or otherwise amend any of the foregoing;

(iv) take any action except in the ordinary course of business and in a manner consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to accounting policies or procedures (including without limitation its procedures with respect to the payment of accounts payable);

(v) enter into or terminate any material contract or agreement or make any material change in any of its material contracts or agreements, other than agreements, if any, relating to the transactions contemplated hereby; or

(vi) take, or agree in writing or otherwise to take, any of the foregoing actions or any action which would make any of their respective representations or warranties contained in this Agreement untrue or incorrect in any material respect as of the date when made or as of a future date.

Section 6.2 COVENANTS OF PARENT REGARDING CONDUCT OF BUSINESS OPERATIONS PENDING THE CLOSING. Parent covenants and agrees that between the date of this Agreement and the Closing Date, Parent will carry on its respective businesses in the ordinary course and consistent with past practice and (i) will use its best efforts to preserve its business organization intact, (ii) will use its best efforts to retain the services of its present employees, (iii) will not

enter into any material commitments for services or otherwise without giving prior written notification of such contemplated action to Camelot and the Members and (iv) will not purchase, sell, lease or dispose of any material property or assets or incur any material liability or enter into any other material transaction without prior written notification of such action to Camelot and the Members.

Section 6.3 NO OTHER NEGOTIATIONS. Camelot and the Members agree that they will not, prior to the termination of this Agreement, (i) take any action intended to encourage discussions or negotiations, (ii) participate in discussions or negotiations or (iii) provide any information, access to books or records to or with any person or entity other than the Parent and Acquisition Corp. relating to a merger of Camelot, the sale of Camelot or the Members' employment.

Section 6.4 REGULATORY APPROVALS. Camelot, the Members, and Acquisition Corp. covenant and agree to fully cooperate in obtaining any Required Filings and Consents.

Section 6.5 DUE DILIGENCE REVIEW. (a) Camelot and the Members shall, upon reasonable notice, give access to, and cooperate fully with, the attorneys, auditors, representatives and agents of the Parent to conduct a due diligence review of the business activities of Camelot, including all appropriate management matters, all appropriate financial, accounting and business records and all contracts and other legal documents reasonably requested by the Parent.

(b) The Parent shall, upon reasonable notice, give access to, and cooperate fully with, the attorneys, auditors, representatives and agents of Camelot to conduct a due diligence review of the business activities of the Parent, including all appropriate management matters, all appropriate financial, accounting and business records and all contracts and legal documents, including, but not limited to, all financial information, reasonably requested by Camelot.

Section 6.6 ANNOUNCEMENTS. None of Camelot, any Member or the Parent shall issue any report, statement or press release to the public, the trade or the press or any third party relating to this Agreement or the transactions contemplated hereby, except as agreed to in writing by Camelot and the Parent before the issuance thereof; PROVIDED, HOWEVER, that Parent may make any disclosure relating to this Agreement or the transactions contemplated hereby that Parent deems necessary to comply with its disclosure obligations under applicable law (including securities laws).

Section 6.7 PARENT PROXY FILING. Parent will use its best efforts to mail to its stockholders a proxy statement in respect of an annual meeting of its stockholders containing, among other items, the matters referred to in (i) - (iv) of Section 7.9 on or before June 6, 1997.

Section 6.8 DELIVERY OF MERGER CONSIDERATION. On the earlier to occur of (i) the listing of the Parent Common Stock constituting the Merger Consideration for sale on the American Stock Exchange or (ii) 30 days after the Closing Date, the Parent will issue and contribute to the capital of Acquisition

number of shares of Parent Common Stock equal to the Merger Consideration and Acquisition Corp. shall deliver the Merger Consideration to the Members by delivery to each Member of certificate(s) representing the numbers of shares of Parent Common Stock as set forth opposite such Member's name in Schedule 1.7.

Section 6.9 ADDITIONAL COVENANTS OF CAMELOT, THE MEMBERS, THE PARENT AND ACQUISITION CORP. Each of Camelot, the Members, Parent and Acquisition Corp. covenant and agree:

(a) BEST EFFORTS. To proceed diligently and use its best efforts to take or cause to be taken all actions and to do or cause to be done all things necessary, proper and advisable to consummate the transactions contemplated by this Agreement.

(b) COMPLIANCE. To comply in all material respects with all applicable rules and regulations of any Governmental Authority in connection with the execution, delivery and performance of this Agreement and the transactions contemplated hereby; to use all reasonable efforts to obtain in a timely manner all necessary waivers, consents and approvals and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement.

(c) NOTICE. To give prompt notice to the other party or parties of (i) the occurrence, or failure to occur, of any event whose occurrence or failure to occur, would be likely to cause any representation or warranty contained in this Agreement to be untrue or incorrect in any material respect at any time from the date hereof to the Closing Date and (ii) any material failure on its part, or on the part of any of its officers, directors, employees or agents, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; PROVIDED, HOWEVER, that the delivery of any such notice shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

(d) CONFIDENTIALITY. To hold in strict confidence all data and information obtained from the other party hereto or any subsidiary, division, associate, representative, agent or affiliate of any such party (unless such information is or becomes publicly available without the fault of any representative of such party, or public disclosure of such information is required by law in the opinion of counsel to such party) and shall insure that such representatives do not disclose information to others without the prior written consent of the other party hereto, and in the event of the termination of this Agreement, to cause its representatives to return promptly every document furnished by the other party hereto or any subsidiary, division, associate, representative, agent or affiliate of any such party in connection with the

transactions contemplated hereby and any copies thereof which may have been

made, other than documents which are publicly available.

ARTICLE VII

CONDITIONS PRECEDENT TO OBLIGATIONS OF CAMELOT AND THE MEMBERS

The obligations of Camelot and the Members under this Agreement are subject to the satisfaction, on or prior to the Closing Date, unless waived by them in writing, of each of the following conditions:

Section 7.1 REPRESENTATIONS AND WARRANTIES TRUE. The representations and warranties of the Parent and Acquisition Corp. contained in this Agreement shall be true and correct in all material respects as of the date when made and at and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, and the Members shall have received a certificate to that effect and as to the matters set forth in Section 7.2 hereof, dated the Closing Date, from the Chairman of the Parent.

Section 7.2 PERFORMANCE OF COVENANTS. Parent and Acquisition Corp. shall have performed or complied in all material respects with all agreements, conditions and covenants required by this Agreement to be performed or complied with by it on or before the Closing Date.

Section 7.3 NO PROCEEDINGS. No preliminary or permanent injunction or other order (including a temporary restraining order) of any state, federal or local court or other governmental agency or of any foreign jurisdiction which prohibits the consummation of the transactions which are the subject of this Agreement shall have been issued or entered and remain in effect.

Section 7.4 CONSENTS AND APPROVALS. All filings and registrations with, and notifications to, all federal, state, local and foreign authorities required for consummation of the transactions contemplated by this Agreement shall have been made, and all consents, approvals and authorizations of all federal, state, local and foreign authorities and parties to material contracts, licenses, agreements or instruments required for consummation of the transactions contemplated by this Agreement (the "Required Filings and Consents") shall have been received and shall be in full force and effect.

Section 7.5 RESIGNATIONS FROM PARENT'S BOARD. Messrs. Alphin, Laurent, Sohn and Zeldin shall have resigned as directors of the Parent and the Members shall have received copies of their resignation letters.

Section 7.6 ELECTION TO PARENT BOARD. Loren G. Peterson shall have been elected a Director of Parent.

Section 7.7 MERGER CERTIFICATE FILED. The Parent shall have filed a certificate of merger in accordance with the General Corporation Law of Delaware effecting the merger of Camelot with and into Acquisition Corp.

Section 7.8 OPINION OF PARENT'S COUNSEL. Camelot and the Members

shall have received the opinion of Olshan Grundman Frome & Rosenzweig LLP, counsel to the Parent, dated as of the Closing Date in substantially the form of Exhibit A hereto.

Section 7.9 PROXIES. Preparation of proxy materials substantially ready for filing with the SEC promptly after the Closing providing for:

(i) the election of Douglas R. Eger, Thomas Fitzgerald and Loren G. Peterson as directors of Parent and the election of such other persons as directors of Parent as may be approved by Members (it being understood that John M. Bailey and Digby W. Barrios have been so approved by Members);

(ii) an increase of the number of shares of Common Stock available for issuance under the 1993 Stock Option Plan to at least 2,500,000 shares of Common Stock;

(iii) the change in Parent's name to "Sheffield Pharmaceuticals, Inc." or such other name as may be reasonably acceptable to Members; and

(iv) a description of the employment agreements entered into between Parent and each of the Members reasonably acceptable to the Members.

Section 7.10 EMPLOYMENT AGREEMENT. Each of the Members shall have executed an employment agreement with the Parent in form and substance satisfactory to each such Member (collectively the "Employment Agreements").

Section 7.11 MATERIAL CHANGES. Since the date hereof, there shall not have been any material change in the business, operations, financial condition, assets or liabilities of Parent.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF THE PARENT AND ACQUISITION CORP.

The obligations of the Parent and Acquisition Corp. under this Agreement are subject to the satisfaction, on or prior to the

Closing Date, unless waived in writing, of each of the following conditions:

Section 8.1 REPRESENTATION AND WARRANTIES TRUE. The representations and warranties of Camelot and the Members contained in this Agreement shall be true and correct in all material respects as of the date when made and at and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, and the Parent shall have received a certificate to that effect and as to the matters set forth in Section 8.2 hereof, dated the Closing Date, from Camelot and the Members.

Section 8.2 PERFORMANCE OF COVENANTS. Camelot and the Members shall have performed or complied in all material respects with all agreements, conditions and covenants required by this Agreement to be performed or complied with by them on or before the Closing Date.

Section 8.3 NO PROCEEDINGS. No preliminary or permanent injunction or other order, whether pending or threatened, (including a temporary restraining order) of any state, federal or local court or other governmental agency or of any foreign jurisdiction which prohibits the consummation of the transactions which are the subject of this Agreement or prohibits the Parent's operation of Camelot's business shall have been issued or entered and remain in effect.

Section 8.4 CONSENTS AND APPROVALS. All Required Filings and Consents shall have been received and shall be in full force and effect and the Board of Directors of Parent shall have approved the transactions contemplated by this Agreement.

Section 8.5 RESIGNATIONS FROM PARENT'S BOARD. Messrs. Alphin, Laurent, Sohn and Zeldin shall have resigned as directors of the Parent and the Members shall have received copies of their resignation letters.

Section 8.6 EMPLOYMENT AGREEMENT. The Employment Agreements shall have been executed by the parties thereto in form and substance satisfactory to Parent.

Section 8.7 OPINION OF CAMELOT'S AND THE MEMBERS' COUNSEL. The Parent shall have received the opinion of Greensfelder, Hemker & Gale, P.C., counsel to Camelot and the Members, in substantially the form of Exhibit B hereto.

Section 8.8 MATERIAL CHANGES. Since the date hereof, there shall not have been any material adverse change in the business, operations, financial condition, assets or liabilities, of Camelot.

ARTICLE IX

INDEMNIFICATION

Section 9.1 INDEMNIFICATION BY CAMELOT AND THE MEMBERS. Subject to the limitations set forth below, Camelot and the Members jointly and severally agree to indemnify, defend and hold the Parent, Acquisition Corp. and each of their respective directors, officers, employees, affiliates and agents harmless from and against any and all loss, liability, damage, costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements) (collectively, "Losses") that Parent, Acquisition Corp. or such other persons may incur or become subject to arising out of or due to any inaccuracy of any representation or the breach of any warranty or covenant of Camelot or any Member contained in this Agreement. Subject to the limitations set forth below, Camelot and the Members jointly and severally agree to reimburse the Parent, Acquisition Corp. and such other persons for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding. The liabilities of each member pursuant to the Section 9.1 shall be limited to $100,000 per Member.

Section 9.2 INDEMNIFICATION BY THE PARENT AND ACQUISITION CORP. Parent and Acquisition Corp. jointly and severally agree to indemnify, defend and hold the Camelot and the Members and their affiliates harmless from and against any and all Losses that Camelot, the Members and their affiliates may

incur or become subject to arising out of or due to any inaccuracy of any representation or the breach of any warranty or covenant of Parent or Acquisition Corp. contained in this Agreement. Parent and Acquisition Corp. jointly and severally agree to reimburse Camelot, the Members and their affiliates for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding.

Section 9.3 SURVIVAL. The representations, warranties and covenants of Camelot, the Members, the Parent and Acquisition Corp. set forth in this Agreement shall survive the Closing for a period of one (1) year after the Closing Date.

Section 9.4 THIRD PARTY CLAIMS. In order for a party (the "indemnified party") to be entitled to any indemnification provided for under this Agreement in respect of, arising out of, or involving a claim or demand or written notice made by any third party against the indemnified party (a "Third Party Claim") after the Closing Date, such indemnified party must notify the indemnifying party (the "indemnifying party") in writing of the Third Party Claim within 30 business days after receipt by such indemnified party of written notice of the Third Party Claim; provided that the failure of any indemnified party to give timely notice shall not affect his right of indemnification hereunder

except to the extent the indemnifying party has actually been prejudiced or damaged thereby. If a Third Party Claim is made against an indemnified party, the indemnifying party shall be entitled, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party (which counsel shall be reasonably satisfactory to the indemnified party), unless the indemnified party reasonably concludes that the assumption of control by the indemnifying party creates a risk of a significant adverse effect on the indemnified party's business operations, in which case the indemnifying party shall not be entitled to assume the defense thereof and shall be freed of any responsibility for indemnification thereunder. If the indemnifying party assumes the defense of a Third Party Claim, the indemnified party will cooperate in all reasonable respects with the indemnifying party in connection with such defense, and shall have the right to participate in such defense with counsel selected by it. The fees and disbursements of such counsel, however, shall be at the expense of the indemnified party; PROVIDED, HOWEVER, that in the case of any Third Party Claim of which the indemnifying party has not employed counsel to assume the defense, the fees and disbursements of such counsel shall be at the expense of the indemnifying party.

ARTICLE X

TERMINATION, AMENDMENT AND WAIVER

Section 10.1 TERMINATION. This Agreement may be terminated and the transactions contemplated by this Agreement abandoned at any time prior to the Closing (unless otherwise specified) as follows:

(a) by mutual written consent duly executed by all the parties hereto;

(b) by Parent or Acquisition Corp. (i) if any representation or warranty of Camelot or the Members set forth in this Agreement shall be untrue when made or shall have become untrue such that any condition set forth in Article VIII would not be satisfied as of the Closing Date or (ii) upon a breach of any covenant or agreement on the part of Camelot or any of the Members set forth in this Agreement such that any condition set forth in Article VIII would not be satisfied as of the Closing Date;

(c) by Camelot (i) if any representation or warranty of the Parent or Acquisition Corp. set forth in this Agreement shall be untrue when made or shall have become untrue such that any condition set forth in Article VII would not be satisfied as of the Closing Date or (ii) upon a breach of any covenant or agreement on the part of the Parent or Acquisition Corp. set forth in this Agreement such that any condition set forth in Article VII would not be satisfied as of the Closing Date;

(d) by either Camelot or the Parent if the Closing does not occur on or before June 6, 1997.

Section 10.2 EFFECT OF TERMINATION. In the event of any termination of this Agreement in accordance with Section 10.1(a) or (d) hereof, this Agreement shall forthwith become void, except as provided in Section 10.3, and there shall be no liability under this Agreement on the part of any party hereto or their respective affiliates, officers, directors, employees or agents by virtue of such termination.

Section 10.3 AMENDMENT. This Agreement may be amended only by the written agreement of Camelot, the Members, the Parent and Acquisition Corp.

ARTICLE XI

MISCELLANEOUS

Section 11.1 EXPENSES. Each of the parties hereto shall bear their own expenses in connection with this Agreement and the transactions contemplated hereby regardless of the failure to consummate transactions contemplated hereby; provided, however, that Parent shall reimburse Camelot for all out-of-pocket travel and lodging costs individually incurred by the Members in connection with the negotiation of the transactions contemplated hereby, regardless of whether such transactions are consummated. Such costs shall be paid within fifteen days of submission to Parent or appropriate evidence of the incurrence of such costs.

Section 11.2 NOTICES. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or by facsimile transmission, in either case with receipt acknowledged, or three days after being sent by registered or certified mail, return receipt requested, postage prepaid:

(a) If the Parent or Acquisition Corp. to:

Sheffield Medical Technologies Inc.
30 Rockefeller Plaza
Suite 4515
New York, NY 10112
Attention: Chief Financial Officer

with a copy to:

Olshan Grundman Frome & Rosenzweig LLP
505 Park Avenue
New York, New York 10022
Attention: Daniel J. Gallagher, Esq.

(b) If to any of the Members, to their respective addresses listed on the signature pages hereto.

(c) If to Camelot to:

Camelot Pharmacal, L.L.C.
11960 Westline Industrial Drive
Suite 180
St. Louis, Missouri 63146

Attention: Loren G. Peterson

with a copy to:

Greensfelder, Hember & Gale, P.C.
2000 Equitable Building
10 South Broadway
St. Louis, Missouri 63102
Attn: M. Spencer Garland, Esq.

or to such other address as any party shall have specified by notice in writing to the other in compliance with this Section 11.2.

Section 11.3 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof.

Section 11.4 BINDING EFFECT, BENEFITS, ASSIGNMENTS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns; nothing in this Agreement, expressed or implied, is intended to confer on any other person, other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement. This Agreement may not be assigned by any party hereto without the prior written consent of the other parties hereto.

Section 11.5 APPLICABLE LAW. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles

of conflicts of law.

Section 11.6 HEADINGS. The headings and captions in this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

Section 11.7 ARBITRATION. Any disputes arising under this Agreement shall be submitted to and determined by arbitration in New York City, New York; provided, however, that such

arbitration shall be held in St. Louis, Missouri in the event that the Company's principal executive offices have been relocated to St. Louis, Missouri. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association. Any award or decision of the arbitration shall be conclusive in the absence of fraud and judgment thereon may be entered in any court having jurisdiction thereof. The costs of such arbitration shall be paid by the non-prevailing party to the extent directed by the arbitrator(s).

Section 11.8 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

THIS AGREEMENT CONTAINS BINDING ARBITRATION PROVISIONS WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year hereinabove first set forth.

CAMELOT PHARMACAL, L.L.C.

By: /s/ Loren G. Peterson

Loren G. Peterson, as authorized
Member

SHEFFIELD MEDICAL TECHNOLOGIES INC.

By: /s/ George Lombardi

George Lombardi, Vice President
and Chief Financial Officer

CP PHARMACEUTICALS, INC.

By: /s/ George Lombardi

George Lombardi, Vice President
and Chief Financial Officer

/s/ LOREN G. PETERSON
- - ---
LOREN G. PETERSON

Address:

1776 Stifel Lane Drive
Town & Country, MO 63017

/s/ CARL F. SIEKMANN
- - ---
CARL F. SIEKMANN

Address:

15915 Wetherburn Road
Chesterfield, MO 63017

/s/ DAVID A. BYRON
- - ---
DAVID A. BYRON

Address:

17674 Lasiandra Drive
Chesterfield, MO 63005

Schedule 1.7

Name of Member	% of Members' Interest Held	Parent Common Stock to be Received
Loren Peterson	331/3%	200,000
Carl F. Siekmann	331/3%	200,000

David A. Byron 331/3% 200,000

Schedule 3.7

Financial Statements

Camelot and its Members have incurred legal and other fees in connection with the Merger, including, without limitation, fees in regard to the negotiation of this Agreement, the Employment Agreements and stock options issued in connection therewith, the payment for which shall become the obligations of Acquisition Corp. and Parent.

Schedule 3.8

Absence of Certain Changes

NONE

Schedule 3.10

Employee Benefit Plans

Insurance	Policy/Member Number	Term
United HealthCare One Choice Plan C 77 West Port Plaza Suite 500 St. Louis, MO 63146-3100 (314)523-1380 Rate: $171.29/month	Individual coverage for Sally Reiter 51001-498884307	No term

United Dental Care of Missouri, Inc. 12400 Olive Blvd Suite 310 St. Louis, MO 63141 Rate: $135/year	Individual coverage for Sally Reiter SS####-##-####	One year

Schedule 3.12

Trademarks, Patents and Copyrights

NONE

Schedule 3.13

Legal Proceedings, Claims, Investigations, etc.

NONE

SCHEDULE 3.15

MATERIAL CONTRACTS

Camelot has entered into two (2) letter agreements granting rights of first refusal with respect to certain pharmaceutical products as follows:

1. Letter Agreement dated March 24, 1997 with Entropin, Inc. regarding investigation and potential development of its Esterom product.

2. Letter Agreement dated February 17, 1997, as extended on April 8, 1997, with Barbeau Technologies, Inc. regarding investigation and development of a proprietary form of metroprolol for migraine prophylaxis and a proprietary form of valproic acid for treatment of certain phases of bipolar disorder.

SCHEDULE 3.16

CERTAIN TRANSACTIONS

NONE

SCEDULE 3.18

ENVIRONMENTAL MATTERS

NONE

Schedule 5.8

Absence Of Certain Changes And Events

In March 1997 Parent exercised its option and entered into an exclusive supply and license agreement with an affiliate of Siemens AG ("Siemens") for the world-wide rights to Siemens' multi-dose inhaler, a hand-held portable pulmonary delivery system.

EX-10.2
3
EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT

AGREEMENT made as of the 25th day of April, 1997, by and between Sheffield Medical Technologies Inc., a Delaware corporation with its principal offices at 30 Rockefeller Plaza, Suite 4515, New York, New York 10112 (the "Corporation"), and David A. Byron residing at 17674 Lasiandra Drive, Chesterfield, Missiouri 63017 ("Executive").

W I T N E S S E T H :
- - - - - - - - - -

WHEREAS, the Corporation desires to employ and retain Executive as its Executive Vice President - Scientific Affairs, upon the terms and subject to the conditions of this Agreement; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. EMPLOYMENT OF EXECUTIVE. The Corporation hereby employs Executive as its Executive Vice President - Scientific Affairs, to perform the duties and responsibilities traditionally incident to such office, subject at all times to the control and direction of the Board of Directors of the Corporation.

2. ACCEPTANCE OF EMPLOYMENT; OFFICES; TIME AND ATTENTION, ETC. (a) Executive hereby accepts such employment and agrees that throughout the period of his employment hereunder, except as hereinafter provided, he will devote his full business and professional time in utilizing his business and professional expertise, with proper attention, knowledge and skills faithfully, diligently and to the best of his ability in furtherance of the business of the Corporation and its subsidiaries and will perform the duties assigned to him pursuant to

Paragraph 1 hereof. As Executive Vice President - Scientific Affairs, Executive shall also perform such specific duties and shall exercise such specific authority related to the management of the day-to-day operations of the Corporation and its subsidiaries as may be reasonably assigned to Executive from time to time by the Board of Directors of the Corporation.

(b) Executive shall at all times be subject to, observe and carry out such rules, regulations, policies, directions and restrictions as the Board of Directors of the Corporation shall from time to time establish. During the period of his employment hereunder, Executive shall not, directly or indirectly, accept employment or compensation from, or perform services of any nature for, any business enterprise other than the Corporation and its subsidiaries. Notwithstanding the foregoing in this Paragraph 2, Executive shall not be precluded from engaging in recreational, eleemosynary, educational and other activities which do not materially interfere with his duties hereunder during vacations, holidays and other periods outside of business hours.

(c) It is anticipated that the Corporation's principal executive office (now located in New York City) shall be relocated to St. Louis, Missouri but that Executive may be required to spend substantial amounts of time at locations in and outside of St. Louis, Missouri relating to the business of the Corporation and its subsidiaries. It is understood that Executive shall continue to reside in the vicinity of St. Louis, Missouri and that the Corporation shall maintain an office in St. Louis, Missouri, which is where Executive shall maintain his principal office until the Corporation relocates from New York City to St. Louis, Missouri. The Corporation agrees to reimburse Executive for his reasonable expenses, including hotel and travel costs, associated with the Corporation's business. In addition, until completion of such relocation, it is understood that Executive shall visit the Corporation's executive office in New York City on a regular basis for meetings and to conduct Corporation business that is more appropriately conducted from such executive office.

3. TERM. Except as otherwise provided herein, the term of Executive's employment hereunder shall commence on the date of the consummation of the merger of Camelot Pharmacal, L.L.C., a Missouri limited liability company, with and into a subsidiary of the Company (the "Merger") and shall continue to and including April 25, 2002. Notwithstanding anything to the contrary contained in the Agreement, this Agreement shall terminate and have no force and effect in the event that the Merger is not consummated on or before June 6, 1997. Unless terminated earlier in accordance with the terms hereof, this Agreement shall automatically be extended for one or more additional consecutive one year terms unless either party notifies the other party in writing at least six months before the end of the then current term (including the initial term) of its or his desire to terminate this Agreement. The last day of the term of this Agreement pursuant to this Paragraph 3 (including any early termination pursuant to the terms hereof) is referred to herein as the "Termination Date."

4. COMPENSATION. (a) As compensation for his services hereunder, the Corporation shall pay to Executive (i) a base annual salary at the rate of $160,000, payable in equal installments in accordance with the normal payroll

practices of the Corporation but in no event less frequently than semi-monthly, and (ii) such incentive compensation and bonuses, if any, as the Board of Directors of the Corporation in its absolute discretion may determine to award Executive (it being understood that this Agreement shall in no event be construed to require the payment to Executive of any incentive compensation or bonuses), it being understood that Executive shall be entitled to receive such incentive compensation and bonuses determined on a basis comparable to the incentive compensation and/or bonuses awarded to other executive officers of the Corporation. All compensation paid to Executive shall be subject to withholding and other employment taxes imposed by applicable law.

(b) During the period of Executive's employment hereunder, Executive shall not be entitled to any additional compensation for rendering employment services to subsidiaries of

the Corporation or for serving in any office of the Corporation or any of its subsidiaries to which he is elected or appointed.

(c) In the event that Executive is elected to the Corporation's Board of Directors, Executive will receive compensation and benefits as a director of the Corporation consistent with the compensation and benefits received by the Corporation's other directors who are also employees of the Corporation.

5. STOCK OPTIONS. (a) As additional compensation for his services hereunder, the Corporation shall grant to Executive an option under the Corporation's 1993 Stock Option Plan (the "Plan") to acquire a total of 400,000 shares of the Corporation's common stock at an exercise price per share equal to the closing sale price of the Corporation's common stock as reported by the American Stock Exchange on the date hereof, with the terms of such option to be evidenced by (i) one option letter agreement in the form annexed as Exhibit "A" hereto ("Option Letter A-1") being exercisable for 100,000 shares of Common Stock, (ii) one option letter agreement in the form annexed as Exhibit "A-2" hereto ("Option Letter A-2") being exercisable for 150,000 shares of Common Stock and (iii) one option letter agreement in the form annexed as Exhibit "B" hereto ("Option Letter B") being exercisable for 150,000 shares of Common Stock (such option letters being referred to collectively herein as the "Plan Option Letters").

(b) The Company represents and warrants that there are sufficient shares of Common Stock currently available under the Company's 1993 Stock Option Plan (the "1993 Plan") to cover the shares of Common Stock issuable to Executive upon exercise of Option Letter A-1.

(c) In the event that the Company's stockholders fail at the next annual meeting of stockholders of the Corporation to approve both (i) an amendment increasing the number of shares available for the issuance of options under the Plan to an amount at least sufficient to cover all the shares of Common Stock issuable upon exercise of Option Letter A-2 and Option Letter B and (ii) appropriate amendments to the Plan specifically confirming the right of the Corporation's Board of Directors, in the issuance of stock options under the Plan, to determine provisions regarding terms of the exercise of such stock options (including without limitation, the period of exercisability of stock

options under the Plan upon termination of employment for cause or without cause) and provisions regarding forfeiture of stock options under the Plan upon termination of employment, the Company agrees, upon receipt of a written demand from Executive, to promptly amend the Plan Option Letters to provide for three non-qualified options outside the Plan having substantially the same terms and provisions of the Plan Stock Options.

(d) In the event that (i) the Corporation is required to amend the Plan Option Letters pursuant to Paragraph 5(c) or (ii) Executive's employment by the Corporation is terminated (x) by the

Corporation for any reason other than for Cause, (y) by Executive as a result of an Employer Breach or (z) by the Corporation by reason of the Executive's disability or death prior to the expiration of the options evidenced by the Plan Option Letters and Executive is required after such event to pay any U.S. federal or state income and withholding tax (collectively, "Income Taxes") on any income recognized by Executive arising upon any exercise of options evidenced by the Plan Option Letters, the Corporation agrees to reimburse Executive the difference between (A) the amount of Income Taxes Executive would have been required to pay had the income recognized on such exercise been treated as a long term capital gain and (B) the amount of Income Taxes payable by Executive in respect of such exercise (the amount of such difference being referred to as the "Tax Difference" in respect of such exercise). In computing the Tax Difference, the amount of taxes payable by Executive shall be determined by assuming that the income recognized as a result of such exercise is taxed at the highest marginal federal and state income tax rates applicable to ordinary income. In addition, the Corporation shall pay Executive an amount equal to the Tax Difference arising in respect of such exercise multiplied by a fraction, the numerator of which is 1 and the denominator of which is equal to 1 minus (i) the highest marginal federal income tax rate (currently 39.6%) and (ii) the highest marginal state income tax rate applicable to Executive, in each case in respect of ordinary income, in effect at the time of such exercise. Such amount shall be paid by the Corporation within ninety (90) days after any such exercise. Notwithstanding anything to the contrary in this Agreement or the Plan Option Letters, the Corporation shall have no obligation to pay Executive any amount in excess of $250,000 in the aggregate in respect of its obligations under this subparagraph.

6. ADDITIONAL BENEFITS; VACATION. (a) In addition to such base salary, Executive shall receive and be entitled to participate, to the extent he is eligible under the terms and conditions thereof, in any profit sharing, pension, retirement, hospitalization, disability, medical service, insurance or other employee benefit plan generally available to the executive officers of the Corporation that may be in effect from time to time during the period of Executive's employment hereunder. The Corporation agrees to cover Executive under any directors' and officers' liability policy maintained by the Corporation.

(b) Executive shall be entitled to four (4) weeks' paid vacation in respect of each 12-month period during the term of his employment hereunder, such vacation to be taken at times mutually agreeable to Executive and the Board of Directors of the Corporation.

(c) Executive shall be entitled to recognize as holidays all days recognized as such by the Corporation.

7. REIMBURSEMENT OF EXPENSES. The Corporation shall reimburse Executive in accordance with applicable policies of the Corporation for all expenses reasonably incurred by him in

connection with the performance of his duties hereunder and the business of the Corporation, upon the submission to the Corporation of appropriate receipts or vouchers.

8. RESTRICTIVE COVENANT. (a) In consideration of the Corporation's entering into this Agreement, Executive agrees that during the period of his employment hereunder and, in the event of termination of this Agreement (i) by the Corporation upon Executive becoming Disabled (as that term is defined in Paragraph 13 hereof), (ii) by the Corporation for Cause (as that term is defined in Paragraph 14 hereof) or (iii) by Executive otherwise than for Employer Breach (as that term is defined in Paragraph 15 hereof), for a further period of six months thereafter, he will not (x) directly or indirectly own, manage, operate, join, control, participate in, invest in, whether as an officer, director, employee, partner, investor or otherwise, any business entity that is engaged in a directly competitive business (as hereinafter defined) to that of the Corporation or any of its subsidiaries within the United States of America, (y) for himself or on behalf of any other person, partnership, corporation or entity, call on any customer of the Corporation or any of its subsidiaries for the purpose of soliciting away, diverting or taking away any customer from the Corporation or its subsidiaries, or (z) solicit any person then engaged as an employee, representative, agent, independent contractor or otherwise by the Corporation or any of its subsidiaries, to terminate his or her relationship with the Corporation or any of its subsidiaries. For purposes of this Agreement, the term "directly competitive business" shall mean any business that is then involved in the research, development, manufacturing or commercialization in any way of any product, compound, device or method that acts or functions by, through or on the same active, binding or receptor site, mechanism of action, signaling pathway or channel as any product, compound, device or method that is or becomes a part of the Corporation's business or the business of any of its subsidiaries during Executive's employment by the Corporation or any of its subsidiaries. Nothing contained in this Agreement shall be deemed to prohibit Executive from investing his funds in securities of an issuer if the securities of such issuer are listed for trading on a national securities exchange or are traded in the over-the-counter market and Executive's holdings therein represent less than 10% of the total number of shares or principal amount of the securities of such issuer outstanding.

(b) Executive acknowledges that the provisions of this Paragraph 8 are reasonable and necessary for the protection of the Corporation, and that each provision, and the period or periods of time, geographic areas and types and scope of restrictions on the activities specified herein are, and are intended to be, divisible. In the event that any provision of this Paragraph 8, including any sentence, clause or part hereof, shall be deemed contrary to law or invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions shall not be affected, but shall, subject to the discretion of such court, remain in full force and effect.

9. CONFIDENTIAL INFORMATION.

(a) Executive shall hold in a fiduciary capacity for the benefit of the Corporation and its subsidiaries all confidential information, knowledge and data relating to or concerned with its operations, sales, business and affairs, and he shall not, at any time during his employment hereunder and for two years thereafter, use, disclose or divulge any such information, knowledge or data to any person, firm or corporation other than to the Corporation and its subsidiaries or their respective designees or except as may otherwise be reasonably required or desirable in connection with the business and affairs of the Corporation and its subsidiaries.

(b) Notwithstanding anything to the contrary contained herein, Executive's obligations under Paragraph 9(a) hereof shall not apply to any information which:

(i) becomes rightfully known to Executive subsequent or prior to his employment by the Corporation;

(ii) is or becomes available to the public other than as a result of wrongful disclosure by Executive;

(iii) becomes available to Executive subsequent to his employment by the Corporation on a nonconfidential basis from a source other than the Corporation or its agents which source has a right to disclose such information; or

(iv) results from research and development and/or commercial operations at any time by or on behalf of any person, company or other entity with which or with whom Executive shall become associated (in a manner consistent with the terms of this Agreement) subsequent to his employment by the Corporation or its agents totally independent from any disclosure from the Corporation or its agents.

(c) Notwithstanding anything to the contrary contained herein, in the event that Executive becomes legally compelled to disclose any confidential information, Executive will provide the Corporation with prompt notice so that the Corporation may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, Executive shall furnish only such confidential information which is legally required to be disclosed.

10. INTELLECTUAL PROPERTY. Any idea, invention, design, written material, manual, system, procedure, improvement, development or discovery conceived, developed, created or made by Executive alone or with others, during the period of his employment hereunder and applicable to the business of the Corporation or any of its subsidiaries, whether or not patentable or registrable, shall become the sole and exclusive property of the Corporation or such subsidiary. Executive shall disclose the same promptly and completely to the Corporation and shall, during the period of his

employment hereunder and at any time and from time to time hereafter at no cost to Executive (i) execute all documents reasonably requested by the Corporation for vesting in the Corporation or any of its subsidiaries the entire right, title and interest in and to the same, (ii) execute all documents reasonably requested by the Corporation for filing and prosecuting such applications for patents, trademarks, service marks and/or copyrights as the Corporation, in its sole discretion, may desire to prosecute, and (iii) give the Corporation all assistance it reasonably requires, including the giving of testimony in any suit, action or proceeding, in order to obtain, maintain and protect the Corporation's right therein and thereto.

11. EQUITABLE RELIEF. The parties hereto acknowledge that Executive's services are unique and that, in the event of a breach or a threatened breach by Executive of any of his obligations under Paragraphs 8, 9 or 10 this Agreement, the Corporation shall not have an adequate remedy at law. Accordingly, in the event of any such breach or threatened breach by Executive, the Corporation shall be entitled to such equitable and injunctive relief as may be available to restrain Executive and any business, firm, partnership, individual, corporation or entity participating in such breach or threatened breach from the violation of the provisions of Paragraph 8, 9 or 10 hereof. Nothing herein shall be construed as prohibiting the Corporation from pursuing any other remedies available at law or in equity for such breach or threatened breach, including the recovery of damages and the immediate termination of the employment of Executive hereunder, if and to the extent permitted hereunder.

12. TERMINATION OF AGREEMENT; TERMINATION OF EMPLOYMENT; SEVERANCE; SURVIVAL. (a) This Agreement and Executive's employment hereunder shall terminate upon the first to occur of the following: (i) Executive becoming Disabled (as that term is defined in Paragraph 13 hereof); (ii) Executive's death; (iii) termination of Executive's employment by the Corporation for Cause or pursuant to subparagraph (b) of this Paragraph 12; (iv) termination of Executive's employment for Employer Breach and (v) the termination of this Agreement at the end of the term of this Agreement on the Termination Date pursuant to Paragraph 3.

(b) Notwithstanding anything to the contrary contained in this Agreement, in the event of the termination of the Executive's employment by the Corporation for any reason (other than for Cause), Executive shall be paid a severance payment equal to 75% of Executive's then current annual base salary payable in nine equal monthly installments, with the first installment being payable on the date falling two weeks after the date of such termination and each additional installment being paid every month after such date until such severance is paid in full. In the event of such termination of the Executive's employment by the Corporation (other than for Cause), the Corporation shall have no further obligation to the Executive under this Agreement other than the Corporation's obligation (i) to make such severance payment to the Executive (ii) to pay Executive's COBRA premium payments for

hospitalization and medical insurance coverage provided by the Corporation and to pay Executive's premiums on any death and/or disability insurance being maintained by the Corporation for Executive at the time of such termination, in

each case until the payment in full of such severance payments

(c) Paragraph 5(c) of this Agreement shall survive the termination of Executive's employment hereunder until the earlier to occur of Executive's exercise of all of the stock options granted pursuant to paragraph 5 and the expiration of all such stock options pursuant to the Stock Option Letters. Paragraphs 7, 8, 9, 10, 11 and 26 of this Agreement shall survive the termination of Executive's employment hereunder, except in the case of termination pursuant to Paragraph 15.

13. DISABILITY. In the event that during the term of his employment by the Corporation Executive shall become Disabled (as that term is hereinafter defined) he shall continue to receive the full amount of the base salary to which he was theretofore entitled for a period of six months after he shall be deemed to have become Disabled (the "First Disability Payment Period"). If the First Disability Payment Period shall end prior to the Termination Date, Executive thereafter shall be entitled to receive salary at an annual rate equal to 80% of his then current base salary for a further period ending on the earlier of (i) six months thereafter or (ii) the Termination Date (the "Second Disability Payment Period"). Upon the expiration of the Second Disability Payment Period, Executive shall not be entitled to receive any further payments on account of his base salary until he shall cease to be Disabled and shall have resumed his duties hereunder and provided that the Corporation shall not have theretofore terminated this Agreement as hereinafter provided. The Corporation may terminate Executive's employment hereunder at any time after Executive is Disabled, upon at least 10 days' prior written notice; PROVIDED, HOWEVER, that such termination shall not relieve the Corporation from its obligation to make the payments to Executive described above in this Paragraph 13. For the purposes of this Agreement, Executive shall be deemed to have become Disabled when (x) by reason of physical or mental incapacity, Executive is not able to perform his duties hereunder for a period of 90 consecutive days or for 120 days in any consecutive 180-day period or (y) when Executive's physician or a physician designated by the Corporation shall have determined that Executive shall not be able, by reason of physical or mental incapacity, to perform a substantial portion of his duties hereunder. In the event that Executive shall dispute any determination of his disability pursuant to clauses (x) or (y) above, the matter shall be resolved by the determination of three physicians qualified to practice medicine in the United States of America, one to be selected by each of the Corporation and Executive and the third to be selected by the designated physicians. If Executive shall receive benefits under any disability policy maintained by the Corporation, the Corporation shall be entitled to deduct the amount equal to the benefits so received from base salary that it otherwise would have been required to pay to Executive as provided above.

14. TERMINATION FOR CAUSE. The Corporation may at any time upon written notice to Executive terminate Executive's employment for Cause. For purposes of this Agreement, the following shall constitute Cause: (i) the willful and repeated failure of Executive to perform any material duties hereunder or gross negligence of Executive in the performance of such duties, and if such failure or gross negligence is susceptible to cure by Executive, the failure to effect such cure within twenty (20) days after written notice of such failure or gross negligence is given to Executive; (ii) except as permitted hereunder, unexplained, willful and regular absences of Executive from the

Corporation; (iii) excessive use of alcohol or illegal drugs, interfering with the performance of Executives duties hereunder; (iv) indictment for a crime of theft, embezzlement, fraud, misappropriation of funds, other acts of dishonesty or the violation of any law or ethical rule relating to Executive's employment; (v) indicted for any other felony or other crime involving moral turpitude by Executive; or (vi) the breach by Executive of any of the provisions of paragraphs 8, 9 or 10 and if such breach is susceptible of cure by Executive, the failure to effect such cure within twenty (20) days after written notice of such breach is given to Executive. For purposes of this Agreement, an action shall be considered "willful" if it is done intentionally, purposely or knowingly, distinguished from an act done carelessly, thoughtlessly or inadvertently. In any such event, Executive shall be entitled to receive his base salary to and including the date of termination.

15. TERMINATION FOR EMPLOYER BREACH. Executive may upon written notice to the Corporation terminate this Agreement (including paragraphs 8, 9, 10 and 11) in the event of the breach by the Corporation of any material provision of this Agreement, and if such breach is susceptible of cure, the failure to effect such cure within 20 days after written notice of such breach is given to the Corporation (an "Employer Breach"). Executive's right to terminate this Agreement under this Paragraph 15 shall be in addition to any other remedies Executive may have under law or equity. Paragraphs 2(d), 7 and 12(b) of this Agreement shall survive the termination of this Agreement by Executive pursuant to this Paragraph 15.

16. INSURANCE POLICIES. The Corporation shall have the right from time to time to purchase, increase, modify or terminate insurance policies on the life of Executive for the benefit of the Corporation, in such amounts as the Corporation shall determine in its sole discretion. In connection therewith, Executive shall, at such time or times and at such place or places as the Corporation may reasonably direct, submit himself to such physical examinations and execute and deliver such documents as the Corporation may reasonably deem necessary or desirable.

17. ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes the entire agreement of the parties hereto, and any prior agreement between the Corporation and Executive is hereby superseded and terminated effective immediately and shall be without further force or effect. No amendment or modification

himself shall be valid or binding unless made in writing and signed by the party against whom enforcement thereof is sought.

18. NOTICES. Any notice required, permitted or desired to be given pursuant to any of the provisions of this Agreement shall be delivered in person or sent by responsible overnight delivery service or sent by certified mail, return receipt requested, postage and fees prepaid, if to the Corporation, at its address set forth above to the attention of the Corporation's Chief Financial Officer and, if to Executive, at his address set forth above. Either of the parties hereto may at any time and from time to time change the address to which notice shall be sent hereunder by notice to the other party given under this Paragraph 18. Notices shall be deemed effective upon receipt.

19. NO ASSIGNMENT; BINDING EFFECT. Neither this Agreement, nor the right to receive any payments hereunder, may be assigned by either party without the other party's prior written consent. This Agreement shall be binding upon Executive, his heirs, executors and administrators and upon the Corporation, its successors and assigns.

20. WAIVERS. No course of dealing nor any delay on the part of either party in exercising any rights hereunder shall operate as a waiver of any such rights. No waiver of any default or breach of this Agreement shall be deemed a continuing waiver or a waiver of any other breach or default.

21. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except that body of law relating to choice of laws.

22. INVALIDITY. If any clause, paragraph, section or part of this Agreement shall be held or declared to be void, invalid or illegal, for any reason, by any court of competent jurisdiction, such provision shall be ineffective but shall not in any way invalidate or affect any other clause, paragraph, section or part of this Agreement.

23. FURTHER ASSURANCES. Each of the parties shall execute such documents and take such other actions as may be reasonably requested by the other party to carry out the provisions and purposes of this Agreement in accordance with its terms.

24. HEADINGS. The headings contained in this Agreement have been inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

25. PUBLICITY. The Corporation and Executive agree that they will not make any press releases or other announcements prior to or at the time of execution of this Agreement with respect to the terms contemplated hereby, except as required by applicable law, without the prior approval of the other party, which approval will not be unreasonably withheld.

26. ARBITRATION. Any disputes arising under this Agreement shall be submitted to and determined by arbitration in New York City, New York; PROVIDED, HOWEVER, that such arbitration shall be held in St. Louis, Missouri in the event that the Company's principal executive offices is located at the time of such dispute in St. Louis, Missouri. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association. Any award or decision of the arbitration shall be conclusive in the absence of fraud and judgment thereon may be entered in any court having jurisdiction thereof. The costs of such arbitration shall be paid by the non-prevailing party to the extent directed by the arbitrator(s).

THIS AGREEMENT CONTAINS BINDING ARBITRATION PROVISIONS WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SHEFFIELD MEDICAL TECHNOLOGIES INC.

By: /s/ George Lombardi

George Lombardi
Vice President and Chief
Financial Officer

/s/ David A. Byron

David A. Byron

EX-10.3
4
EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT

AGREEMENT made as of the 25th day of April, 1997, by and between Sheffield Medical Technologies Inc., a Delaware corporation with its principal offices at 30 Rockefeller Plaza, Suite 4515, New York, New York 10112 (the "Corporation"), and Loren G. Peterson residing at 1776 Stifel Lane Drive, Town & Country, Missiouri 63017 ("Executive").

W I T N E S S E T H :
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WHEREAS, the Corporation desires to employ and retain Executive as its Chief Executive Officer, upon the terms and subject to the conditions of this Agreement; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. EMPLOYMENT OF EXECUTIVE. The Corporation hereby employs Executive as its Chief Executive Officer, to perform the duties and responsibilities traditionally incident to such office, subject at all times to the control and direction of the Board of Directors of the Corporation.

2. ACCEPTANCE OF EMPLOYMENT; OFFICES; TIME AND ATTENTION, ETC. (a) Executive hereby accepts such employment and agrees that throughout the period of his employment hereunder, except as hereinafter provided, he will devote his

full business and professional time in utilizing his business and professional expertise, with proper attention, knowledge and skills faithfully, diligently and to the best of his ability in furtherance of the business of the Corporation and its subsidiaries and will perform the duties assigned to him pursuant to Paragraph 1 hereof. As Chief Executive Officer, Executive shall also perform such specific duties and shall exercise such specific authority related to the management of the day-to-day operations of the Corporation and its subsidiaries as may be reasonably assigned to Executive from time to time by the Board of Directors of the Corporation.

(b) Executive shall at all times be subject to, observe and carry out such rules, regulations, policies, directions and restrictions as the Board of Directors of the Corporation shall from time to time establish. During the period of his employment hereunder, Executive shall not, directly or indirectly, accept employment or compensation from, or perform services of any nature for, any business enterprise other than the Corporation and its subsidiaries. Notwithstanding the foregoing in this Paragraph 2, Executive shall not be precluded from engaging in recreational, eleemosynary, educational and other activities which do not materially interfere with his duties hereunder during vacations, holidays and other periods outside of business hours.

(c) It is anticipated that the Corporation's principal executive office (now located in New York City) shall be relocated

to St. Louis, Missouri but that Executive may be required to spend substantial amounts of time at locations in and outside of St. Louis, Missouri relating to the business of the Corporation and its subsidiaries. It is understood that Executive shall continue to reside in the vicinity of St. Louis, Missouri and that the Corporation shall maintain an office in St. Louis, Missouri, which is where Executive shall maintain his principal office until the Corporation relocates from New York City to St. Louis, Missouri. The Corporation agrees to reimburse Executive for his reasonable expenses, including hotel and travel costs, associated with the Corporation's business. In addition, until completion of such relocation, it is understood that Executive shall visit the Corporation's executive office in New York City on a regular basis for meetings and to conduct Corporation business that is more appropriately conducted from such executive office.

3. TERM. Except as otherwise provided herein, the term of Executive's employment hereunder shall commence on the date of the consummation of the merger of Camelot Pharmacal, L.L.C., a Missouri limited liability company, with and into a subsidiary of the Company (the "Merger") and shall continue to and including April 25, 2002. Notwithstanding anything to the contrary contained in the Agreement, this Agreement shall terminate and have no force and effect in the event that the Merger is not consummated on or before June 6, 1997. Unless terminated earlier in accordance with the terms hereof, this Agreement shall automatically be extended for one or more additional consecutive one year terms unless either party notifies the other party in writing at least six months before the end of the then current term (including the initial term) of its or his desire to terminate this Agreement. The last day of the term of this Agreement pursuant to this Paragraph 3 (including any early termination pursuant to the terms hereof) is referred to herein as the "Termination Date."

4. COMPENSATION. (a) As compensation for his services hereunder, the Corporation shall pay to Executive (i) a base annual salary at the rate of $175,000, payable in equal installments in accordance with the normal payroll practices of the Corporation but in no event less frequently than semi-monthly, and (ii) such incentive compensation and bonuses, if any, as the Board of Directors of the Corporation in its absolute discretion may determine to award Executive (it being understood that this Agreement shall in no event be construed to require the payment to Executive of any incentive compensation or bonuses), it being understood that Executive shall be entitled to receive such incentive compensation and bonuses determined on a basis comparable to the incentive compensation and/or bonuses awarded to other executive officers of the Corporation. All compensation paid to Executive shall be subject to withholding and other employment taxes imposed by applicable law.

(b) During the period of Executive's employment hereunder, Executive shall not be entitled to any additional compensation for rendering employment services to subsidiaries of

the Corporation or for serving in any office of the Corporation or any of its subsidiaries to which he is elected or appointed.

(c) In the event that Executive is elected to the Corporation's Board of Directors, Executive will receive compensation and benefits as a director of the Corporation consistent with the compensation and benefits received by the Corporation's other directors who are also employees of the Corporation.

5. STOCK OPTIONS. (a) As additional compensation for his services hereunder, the Corporation shall grant to Executive an option under the Corporation's 1993 Stock Option Plan (the "Plan") to acquire a total of 400,000 shares of the Corporation's common stock at an exercise price per share equal to the closing sale price of the Corporation's common stock as reported by the American Stock Exchange on the date hereof, with the terms of such option to be evidenced by (i) one option letter agreement in the form annexed as Exhibit "A" hereto ("Option Letter A-1") being exercisable for 100,000 shares of Common Stock, (ii) one option letter agreement in the form annexed as Exhibit "A-2" hereto ("Option Letter A-2") being exercisable for 150,000 shares of Common Stock and (iii) one option letter agreement in the form annexed as Exhibit "B" hereto ("Option Letter B") being exercisable for 150,000 shares of Common Stock (such option letters being referred to collectively herein as the "Plan Option Letters").

(b) The Company represents and warrants that there are sufficient shares of Common Stock currently available under the Company's 1993 Stock Option Plan (the "1993 Plan") to cover the shares of Common Stock issuable to Executive upon exercise of Option Letter A-1.

(c) In the event that the Company's stockholders fail at the next annual meeting of stockholders of the Corporation to approve both (i) an amendment increasing the number of shares available for the issuance of options under the Plan to an amount at least sufficient to cover all the shares of Common Stock issuable upon exercise of Option Letter A-2 and Option Letter B and (ii) appropriate amendments to the Plan specifically confirming the right of the

Corporation's Board of Directors, in the issuance of stock options under the Plan, to determine provisions regarding terms of the exercise of such stock options (including without limitation, the period of exercisability of stock options under the Plan upon termination of employment for cause or without cause) and provisions regarding forfeiture of stock options under the Plan upon termination of employment, the Company agrees, upon receipt of a written demand from Executive, to promptly amend the Plan Option Letters to provide for three non-qualified options outside the Plan having substantially the same terms and provisions of the Plan Stock Options.

(d) In the event that (i) the Corporation is required to amend the Plan Option Letters pursuant to Paragraph 5(c) or (ii) Executive's employment by the Corporation is terminated (x) by the

Corporation for any reason other than for Cause, (y) by Executive as a result of an Employer Breach or (z) by the Corporation by reason of the Executive's disability or death prior to the expiration of the options evidenced by the Plan Option Letters and Executive is required after such event to pay any U.S. federal or state income and withholding tax (collectively, "Income Taxes") on any income recognized by Executive arising upon any exercise of options evidenced by the Plan Option Letters, the Corporation agrees to reimburse Executive the difference between (A) the amount of Income Taxes Executive would have been required to pay had the income recognized on such exercise been treated as a long term capital gain and (B) the amount of Income Taxes payable by Executive in respect of such exercise (the amount of such difference being referred to as the "Tax Difference" in respect of such exercise). In computing the Tax Difference, the amount of taxes payable by Executive shall be determined by assuming that the income recognized as a result of such exercise is taxed at the highest marginal federal and state income tax rates applicable to ordinary income. In addition, the Corporation shall pay Executive an amount equal to the Tax Difference arising in respect of such exercise multiplied by a fraction, the numerator of which is 1 and the denominator of which is equal to 1 minus (i) the highest marginal federal income tax rate (currently 39.6%) and (ii) the highest marginal state income tax rate applicable to Executive, in each case in respect of ordinary income, in effect at the time of such exercise. Such amount shall be paid by the Corporation within ninety (90) days after any such exercise. Notwithstanding anything to the contrary in this Agreement or the Plan Option Letters, the Corporation shall have no obligation to pay Executive any amount in excess of $250,000 in the aggregate in respect of its obligations under this subparagraph.

6. ADDITIONAL BENEFITS; VACATION. (a) In addition to such base salary, Executive shall receive and be entitled to participate, to the extent he is eligible under the terms and conditions thereof, in any profit sharing, pension, retirement, hospitalization, disability, medical service, insurance or other employee benefit plan generally available to the executive officers of the Corporation that may be in effect from time to time during the period of Executive's employment hereunder. The Corporation agrees to cover Executive under any directors' and officers' liability policy maintained by the Corporation.

(b) Executive shall be entitled to four (4) weeks' paid vacation in respect of each 12-month period during the term of his employment hereunder,

such vacation to be taken at times mutually agreeable to Executive and the Board of Directors of the Corporation.

(c) Executive shall be entitled to recognize as holidays all days recognized as such by the Corporation.

7. REIMBURSEMENT OF EXPENSES. The Corporation shall reimburse Executive in accordance with applicable policies of the Corporation for all expenses reasonably incurred by him in

connection with the performance of his duties hereunder and the business of the Corporation, upon the submission to the Corporation of appropriate receipts or vouchers.

8. RESTRICTIVE COVENANT. (a) In consideration of the Corporation's entering into this Agreement, Executive agrees that during the period of his employment hereunder and, in the event of termination of this Agreement (i) by the Corporation upon Executive becoming Disabled (as that term is defined in Paragraph 13 hereof), (ii) by the Corporation for Cause (as that term is defined in Paragraph 14 hereof) or (iii) by Executive otherwise than for Employer Breach (as that term is defined in Paragraph 15 hereof), for a further period of six months thereafter, he will not (x) directly or indirectly own, manage, operate, join, control, participate in, invest in, whether as an officer, director, employee, partner, investor or otherwise, any business entity that is engaged in a directly competitive business (as hereinafter defined) to that of the Corporation or any of its subsidiaries within the United States of America, (y) for himself or on behalf of any other person, partnership, corporation or entity, call on any customer of the Corporation or any of its subsidiaries for the purpose of soliciting away, diverting or taking away any customer from the Corporation or its subsidiaries, or (z) solicit any person then engaged as an employee, representative, agent, independent contractor or otherwise by the Corporation or any of its subsidiaries, to terminate his or her relationship with the Corporation or any of its subsidiaries. For purposes of this Agreement, the term "directly competitive business" shall mean any business that is then involved in the research, development, manufacturing or commercialization in any way of any product, compound, device or method that acts or functions by, through or on the same active, binding or receptor site, mechanism of action, signaling pathway or channel as any product, compound, device or method that is or becomes a part of the Corporation's business or the business of any of its subsidiaries during Executive's employment by the Corporation or any of its subsidiaries. Nothing contained in this Agreement shall be deemed to prohibit Executive from investing his funds in securities of an issuer if the securities of such issuer are listed for trading on a national securities exchange or are traded in the over-the-counter market and Executive's holdings therein represent less than 10% of the total number of shares or principal amount of the securities of such issuer outstanding.

(b) Executive acknowledges that the provisions of this Paragraph 8 are reasonable and necessary for the protection of the Corporation, and that each provision, and the period or periods of time, geographic areas and types and scope of restrictions on the activities specified herein are, and are intended to be, divisible. In the event that any provision of this Paragraph 8, including any sentence, clause or part hereof, shall be deemed contrary to law

or invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions shall not be affected, but shall, subject to the discretion of such court, remain in full force and effect.

9. CONFIDENTIAL INFORMATION.

(a) Executive shall hold in a fiduciary capacity for the benefit of the Corporation and its subsidiaries all confidential information, knowledge and data relating to or concerned with its operations, sales, business and affairs, and he shall not, at any time during his employment hereunder and for two years thereafter, use, disclose or divulge any such information, knowledge or data to any person, firm or corporation other than to the Corporation and its subsidiaries or their respective designees or except as may otherwise be reasonably required or desirable in connection with the business and affairs of the Corporation and its subsidiaries.

(b) Notwithstanding anything to the contrary contained herein, Executive's obligations under Paragraph 9(a) hereof shall not apply to any information which:

(i) becomes rightfully known to Executive subsequent or prior to his employment by the Corporation;

(ii) is or becomes available to the public other than as a result of wrongful disclosure by Executive;

(iii) becomes available to Executive subsequent to his employment by the Corporation on a nonconfidential basis from a source other than the Corporation or its agents which source has a right to disclose such information; or

(iv) results from research and development and/or commercial operations at any time by or on behalf of any person, company or other entity with which or with whom Executive shall become associated (in a manner consistent with the terms of this Agreement) subsequent to his employment by the Corporation or its agents totally independent from any disclosure from the Corporation or its agents.

(c) Notwithstanding anything to the contrary contained herein, in the event that Executive becomes legally compelled to disclose any confidential information, Executive will provide the Corporation with prompt notice so that the Corporation may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, Executive shall furnish only such confidential information which is legally required to be disclosed.

10. INTELLECTUAL PROPERTY. Any idea, invention, design, written material, manual, system, procedure, improvement, development or discovery conceived, developed, created or made by Executive alone or with others, during the period of his employment hereunder and applicable to the business of the Corporation or any of its subsidiaries, whether or not patentable or registrable, shall become the sole and exclusive property of the Corporation or such subsidiary. Executive shall disclose the same promptly and completely to

the Corporation and shall, during the period of his

employment hereunder and at any time and from time to time hereafter at no cost to Executive (i) execute all documents reasonably requested by the Corporation for vesting in the Corporation or any of its subsidiaries the entire right, title and interest in and to the same, (ii) execute all documents reasonably requested by the Corporation for filing and prosecuting such applications for patents, trademarks, service marks and/or copyrights as the Corporation, in its sole discretion, may desire to prosecute, and (iii) give the Corporation all assistance it reasonably requires, including the giving of testimony in any suit, action or proceeding, in order to obtain, maintain and protect the Corporation's right therein and thereto.

11. EQUITABLE RELIEF. The parties hereto acknowledge that Executive's services are unique and that, in the event of a breach or a threatened breach by Executive of any of his obligations under Paragraphs 8, 9 or 10 this Agreement, the Corporation shall not have an adequate remedy at law. Accordingly, in the event of any such breach or threatened breach by Executive, the Corporation shall be entitled to such equitable and injunctive relief as may be available to restrain Executive and any business, firm, partnership, individual, corporation or entity participating in such breach or threatened breach from the violation of the provisions of Paragraph 8, 9 or 10 hereof. Nothing herein shall be construed as prohibiting the Corporation from pursuing any other remedies available at law or in equity for such breach or threatened breach, including the recovery of damages and the immediate termination of the employment of Executive hereunder, if and to the extent permitted hereunder.

12. TERMINATION OF AGREEMENT; TERMINATION OF EMPLOYMENT; SEVERANCE; SURVIVAL. (a) This Agreement and Executive's employment hereunder shall terminate upon the first to occur of the following: (i) Executive becoming Disabled (as that term is defined in Paragraph 13 hereof); (ii) Executive's death; (iii) termination of Executive's employment by the Corporation for Cause or pursuant to subparagraph (b) of this Paragraph 12; (iv) termination of Executive's employment for Employer Breach and (v) the termination of this Agreement at the end of the term of this Agreement on the Termination Date pursuant to Paragraph 3.

(b) Notwithstanding anything to the contrary contained in this Agreement, in the event of the termination of the Executive's employment by the Corporation for any reason (other than for Cause), Executive shall be paid a severance payment equal to 75% of Executive's then current annual base salary payable in nine equal monthly installments, with the first installment being payable on the date falling two weeks after the date of such termination and each additional installment being paid every month after such date until such severance is paid in full. In the event of such termination of the Executive's employment by the Corporation (other than for Cause), the Corporation shall have no further obligation to the Executive under this Agreement other than the Corporation's obligation (i) to make such severance payment to the Executive (ii) to pay Executive's COBRA premium payments for

hospitalization and medical insurance coverage provided by the Corporation and to pay Executive's premiums on any death and/or disability insurance being maintained by the Corporation for Executive at the time of such termination, in each case until the payment in full of such severance payments

(c) Paragraph 5(c) of this Agreement shall survive the termination of Executive's employment hereunder until the earlier to occur of Executive's exercise of all of the stock options granted pursuant to paragraph 5 and the expiration of all such stock options pursuant to the Stock Option Letters. Paragraphs 7, 8, 9, 10, 11 and 26 of this Agreement shall survive the termination of Executive's employment hereunder, except in the case of termination pursuant to Paragraph 15.

13. DISABILITY. In the event that during the term of his employment by the Corporation Executive shall become Disabled (as that term is hereinafter defined) he shall continue to receive the full amount of the base salary to which he was theretofore entitled for a period of six months after he shall be deemed to have become Disabled (the "First Disability Payment Period"). If the First Disability Payment Period shall end prior to the Termination Date, Executive thereafter shall be entitled to receive salary at an annual rate equal to 80% of his then current base salary for a further period ending on the earlier of (i) six months thereafter or (ii) the Termination Date (the "Second Disability Payment Period"). Upon the expiration of the Second Disability Payment Period, Executive shall not be entitled to receive any further payments on account of his base salary until he shall cease to be Disabled and shall have resumed his duties hereunder and provided that the Corporation shall not have theretofore terminated this Agreement as hereinafter provided. The Corporation may terminate Executive's employment hereunder at any time after Executive is Disabled, upon at least 10 days' prior written notice; PROVIDED, HOWEVER, that such termination shall not relieve the Corporation from its obligation to make the payments to Executive described above in this Paragraph 13. For the purposes of this Agreement, Executive shall be deemed to have become Disabled when (x) by reason of physical or mental incapacity, Executive is not able to perform his duties hereunder for a period of 90 consecutive days or for 120 days in any consecutive 180-day period or (y) when Executive's physician or a physician designated by the Corporation shall have determined that Executive shall not be able, by reason of physical or mental incapacity, to perform a substantial portion of his duties hereunder. In the event that Executive shall dispute any determination of his disability pursuant to clauses (x) or (y) above, the matter shall be resolved by the determination of three physicians qualified to practice medicine in the United States of America, one to be selected by each of the Corporation and Executive and the third to be selected by the designated physicians. If Executive shall receive benefits under any disability policy maintained by the Corporation, the Corporation shall be entitled to deduct the amount equal to the benefits so received from base salary that it otherwise would have been required to pay to Executive as provided above.

14. TERMINATION FOR CAUSE. The Corporation may at any time upon written notice to Executive terminate Executive's employment for Cause. For purposes of this Agreement, the following shall constitute Cause: (i) the willful and repeated failure of Executive to perform any material duties hereunder or gross negligence of Executive in the performance of such duties, and if such failure or gross negligence is susceptible to cure by Executive, the

failure to effect such cure within twenty (20) days after written notice of such failure or gross negligence is given to Executive; (ii) except as permitted hereunder, unexplained, willful and regular absences of Executive from the Corporation; (iii) excessive use of alcohol or illegal drugs, interfering with the performance of Executives duties hereunder; (iv) indictment for a crime of theft, embezzlement, fraud, misappropriation of funds, other acts of dishonesty or the violation of any law or ethical rule relating to Executive's employment; (v) indicted for any other felony or other crime involving moral turpitude by Executive; or (vi) the breach by Executive of any of the provisions of paragraphs 8, 9 or 10 and if such breach is susceptible of cure by Executive, the failure to effect such cure within twenty (20) days after written notice of such breach is given to Executive. For purposes of this Agreement, an action shall be considered "willful" if it is done intentionally, purposely or knowingly, distinguished from an act done carelessly, thoughtlessly or inadvertently. In any such event, Executive shall be entitled to receive his base salary to and including the date of termination.

15. TERMINATION FOR EMPLOYER BREACH. Executive may upon written notice to the Corporation terminate this Agreement (including paragraphs 8, 9, 10 and 11) in the event of the breach by the Corporation of any material provision of this Agreement, and if such breach is susceptible of cure, the failure to effect such cure within 20 days after written notice of such breach is given to the Corporation (an "Employer Breach"). Executive's right to terminate this Agreement under this Paragraph 15 shall be in addition to any other remedies Executive may have under law or equity. Paragraphs 2(d), 7 and 12(b) of this Agreement shall survive the termination of this Agreement by Executive pursuant to this Paragraph 15.

16. INSURANCE POLICIES. The Corporation shall have the right from time to time to purchase, increase, modify or terminate insurance policies on the life of Executive for the benefit of the Corporation, in such amounts as the Corporation shall determine in its sole discretion. In connection therewith, Executive shall, at such time or times and at such place or places as the Corporation may reasonably direct, submit himself to such physical examinations and execute and deliver such documents as the Corporation may reasonably deem necessary or desirable.

17. ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes the entire agreement of the parties hereto, and any prior agreement between the Corporation and Executive is hereby superseded and terminated effective immediately and shall be without further force or effect. No amendment or modification

himself shall be valid or binding unless made in writing and signed by the party against whom enforcement thereof is sought.

18. NOTICES. Any notice required, permitted or desired to be given pursuant to any of the provisions of this Agreement shall be delivered in person or sent by responsible overnight delivery service or sent by certified mail, return receipt requested, postage and fees prepaid, if to the Corporation, at its address set forth above to the attention of the Corporation's Chief Financial Officer and, if to Executive, at his address set forth above. Either of the parties hereto may at any time and from time to time change the address

to which notice shall be sent hereunder by notice to the other party given under this Paragraph 18. Notices shall be deemed effective upon receipt.

19. NO ASSIGNMENT; BINDING EFFECT. Neither this Agreement, nor the right to receive any payments hereunder, may be assigned by either party without the other party's prior written consent. This Agreement shall be binding upon Executive, his heirs, executors and administrators and upon the Corporation, its successors and assigns.

20. WAIVERS. No course of dealing nor any delay on the part of either party in exercising any rights hereunder shall operate as a waiver of any such rights. No waiver of any default or breach of this Agreement shall be deemed a continuing waiver or a waiver of any other breach or default.

21. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except that body of law relating to choice of laws.

22. INVALIDITY. If any clause, paragraph, section or part of this Agreement shall be held or declared to be void, invalid or illegal, for any reason, by any court of competent jurisdiction, such provision shall be ineffective but shall not in any way invalidate or affect any other clause, paragraph, section or part of this Agreement.

23. FURTHER ASSURANCES. Each of the parties shall execute such documents and take such other actions as may be reasonably requested by the other party to carry out the provisions and purposes of this Agreement in accordance with its terms.

24. HEADINGS. The headings contained in this Agreement have been inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

25. PUBLICITY. The Corporation and Executive agree that they will not make any press releases or other announcements prior to or at the time of execution of this Agreement with respect to the terms contemplated hereby, except as required by applicable law, without the prior approval of the other party, which approval will not be unreasonably withheld.

26. ARBITRATION. Any disputes arising under this Agreement shall be submitted to and determined by arbitration in New York City, New York; PROVIDED, HOWEVER, that such arbitration shall be held in St. Louis, Missouri in the event that the Company's principal executive offices is located at the time of such dispute in St. Louis, Missouri. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association. Any award or decision of the arbitration shall be conclusive in the absence of fraud and judgment thereon may be entered in any court having jurisdiction thereof. The costs of such arbitration shall be paid by the non-prevailing party to the extent directed by the arbitrator(s).

THIS AGREEMENT CONTAINS BINDING ARBITRATION PROVISIONS WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SHEFFIELD MEDICAL TECHNOLOGIES INC.

By: /s/ George Lombardi

George Lombardi
Vice President and Chief
Financial Officer

/s/ Loren G. Peterson

Loren G. Peterson

EX-10.4
5
EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT

AGREEMENT made as of the 25th day of April, 1997, by and between Sheffield Medical Technologies Inc., a Delaware corporation with its principal offices at 30 Rockefeller Plaza, Suite 4515, New York, New York 10112 (the "Corporation"), and Carl F. Siekmann residing at 15915 Wetherburn Road, Chesterfield, Missiouri 63017 ("Executive").

W I T N E S S E T H :
- - - - - - - - - -

WHEREAS, the Corporation desires to employ and retain Executive as its Executive Vice President - Corporate Development, upon the terms and subject to the conditions of this Agreement; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. EMPLOYMENT OF EXECUTIVE. The Corporation hereby employs Executive as its Executive Vice President - Corporate Development, to perform the duties and responsibilities traditionally incident to such office, subject at all times to the control and direction of the Board of Directors of the Corporation.

2. ACCEPTANCE OF EMPLOYMENT; OFFICES; TIME AND ATTENTION, ETC. (a) Executive hereby accepts such employment and agrees that throughout the period of his employment hereunder, except as hereinafter provided, he will devote his full business and professional time in utilizing his business and professional

expertise, with proper attention, knowledge and skills faithfully, diligently and to the best of his ability in furtherance of the business of the Corporation and its subsidiaries and will perform the duties assigned to him pursuant to Paragraph 1 hereof. As Executive Vice President - Corporate Development, Executive shall also perform such specific duties and shall exercise such specific authority related to the management of the day-to-day operations of the Corporation and its subsidiaries as may be reasonably assigned to Executive from time to time by the Board of Directors of the Corporation.

(b) Executive shall at all times be subject to, observe and carry out such rules, regulations, policies, directions and restrictions as the Board of Directors of the Corporation shall from time to time establish. During the period of his employment hereunder, Executive shall not, directly or indirectly, accept employment or compensation from, or perform services of any nature for, any business enterprise other than the Corporation and its subsidiaries. Notwithstanding the foregoing in this Paragraph 2, Executive shall not be precluded from engaging in recreational, eleemosynary, educational and other activities which do not materially interfere with his duties hereunder during vacations, holidays and other periods outside of business hours.

(c) It is anticipated that the Corporation's principal executive office (now located in New York City) shall be relocated to St. Louis, Missouri but that Executive may be required to spend substantial amounts of time at locations in and outside of St. Louis, Missouri relating to the business of the Corporation and its subsidiaries. It is understood that Executive shall continue to reside in the vicinity of St. Louis, Missouri and that the Corporation shall maintain an office in St. Louis, Missouri, which is where Executive shall maintain his principal office until the Corporation relocates from New York City to St. Louis, Missouri. The Corporation agrees to reimburse Executive for his reasonable expenses, including hotel and travel costs, associated with the Corporation's business. In addition, until completion of such relocation, it is understood that Executive shall visit the Corporation's executive office in New York City on a regular basis for meetings and to conduct Corporation business that is more appropriately conducted from such executive office.

3. TERM. Except as otherwise provided herein, the term of Executive's employment hereunder shall commence on the date of the consummation of the merger of Camelot Pharmacal, L.L.C., a Missouri limited liability company, with and into a subsidiary of the Company (the "Merger") and shall continue to and including April 25, 2002. Notwithstanding anything to the contrary contained in the Agreement, this Agreement shall terminate and have no force and effect in the event that the Merger is not consummated on or before June 6, 1997. Unless terminated earlier in accordance with the terms hereof, this Agreement shall automatically be extended for one or more additional consecutive one year terms unless either party notifies the other party in writing at least six months before the end of the then current term (including the initial term) of its or his desire to terminate this Agreement. The last day of the term of this Agreement pursuant to this Paragraph 3 (including any early termination pursuant to the terms hereof) is referred to herein as the "Termination Date."

4. COMPENSATION. (a) As compensation for his services hereunder, the Corporation shall pay to Executive (i) a base annual salary at the rate of $160,000, payable in equal installments in accordance with the normal payroll practices of the Corporation but in no event less frequently than semi-monthly,

and (ii) such incentive compensation and bonuses, if any, as the Board of Directors of the Corporation in its absolute discretion may determine to award Executive (it being understood that this Agreement shall in no event be construed to require the payment to Executive of any incentive compensation or bonuses), it being understood that Executive shall be entitled to receive such incentive compensation and bonuses determined on a basis comparable to the incentive compensation and/or bonuses awarded to other executive officers of the Corporation. All compensation paid to Executive shall be subject to withholding and other employment taxes imposed by applicable law.

(b) During the period of Executive's employment hereunder, Executive shall not be entitled to any additional

compensation for rendering employment services to subsidiaries of the Corporation or for serving in any office of the Corporation or any of its subsidiaries to which he is elected or appointed.

(c) In the event that Executive is elected to the Corporation's Board of Directors, Executive will receive compensation and benefits as a director of the Corporation consistent with the compensation and benefits received by the Corporation's other directors who are also employees of the Corporation.

5. STOCK OPTIONS. (a) As additional compensation for his services hereunder, the Corporation shall grant to Executive an option under the Corporation's 1993 Stock Option Plan (the "Plan") to acquire a total of 400,000 shares of the Corporation's common stock at an exercise price per share equal to the closing sale price of the Corporation's common stock as reported by the American Stock Exchange on the date hereof, with the terms of such option to be evidenced by (i) one option letter agreement in the form annexed as Exhibit "A" hereto ("Option Letter A-1") being exercisable for 100,000 shares of Common Stock, (ii) one option letter agreement in the form annexed as Exhibit "A-2" hereto ("Option Letter A-2") being exercisable for 150,000 shares of Common Stock and (iii) one option letter agreement in the form annexed as Exhibit "B" hereto ("Option Letter B") being exercisable for 150,000 shares of Common Stock (such option letters being referred to collectively herein as the "Plan Option Letters").

(b) The Company represents and warrants that there are sufficient shares of Common Stock currently available under the Company's 1993 Stock Option Plan (the "1993 Plan") to cover the shares of Common Stock issuable to Executive upon exercise of Option Letter A-1.

(c) In the event that the Company's stockholders fail at the next annual meeting of stockholders of the Corporation to approve both (i) an amendment increasing the number of shares available for the issuance of options under the Plan to an amount at least sufficient to cover all the shares of Common Stock issuable upon exercise of Option Letter A-2 and Option Letter B and (ii) appropriate amendments to the Plan specifically confirming the right of the Corporation's Board of Directors, in the issuance of stock options under the Plan, to determine provisions regarding terms of the exercise of such stock options (including without limitation, the period of exercisability of stock options under the Plan upon termination of employment for cause or without

cause) and provisions regarding forfeiture of stock options under the Plan upon termination of employment, the Company agrees, upon receipt of a written demand from Executive, to promptly amend the Plan Option Letters to provide for three non-qualified options outside the Plan having substantially the same terms and provisions of the Plan Stock Options.

(d) In the event that (i) the Corporation is required to amend the Plan Option Letters pursuant to Paragraph 5(c) or (ii)

Executive's employment by the Corporation is terminated (x) by the Corporation for any reason other than for Cause, (y) by Executive as a result of an Employer Breach or (z) by the Corporation by reason of the Executive's disability or death prior to the expiration of the options evidenced by the Plan Option Letters and Executive is required after such event to pay any U.S. federal or state income and withholding tax (collectively, "Income Taxes") on any income recognized by Executive arising upon any exercise of options evidenced by the Plan Option Letters, the Corporation agrees to reimburse Executive the difference between (A) the amount of Income Taxes Executive would have been required to pay had the income recognized on such exercise been treated as a long term capital gain and (B) the amount of Income Taxes payable by Executive in respect of such exercise (the amount of such difference being referred to as the "Tax Difference" in respect of such exercise). In computing the Tax Difference, the amount of taxes payable by Executive shall be determined by assuming that the income recognized as a result of such exercise is taxed at the highest marginal federal and state income tax rates applicable to ordinary income. In addition, the Corporation shall pay Executive an amount equal to the Tax Difference arising in respect of such exercise multiplied by a fraction, the numerator of which is 1 and the denominator of which is equal to 1 minus (i) the highest marginal federal income tax rate (currently 39.6%) and (ii) the highest marginal state income tax rate applicable to Executive, in each case in respect of ordinary income, in effect at the time of such exercise. Such amount shall be paid by the Corporation within ninety (90) days after any such exercise. Notwithstanding anything to the contrary in this Agreement or the Plan Option Letters, the Corporation shall have no obligation to pay Executive any amount in excess of $250,000 in the aggregate in respect of its obligations under this subparagraph.

6. ADDITIONAL BENEFITS; VACATION. (a) In addition to such base salary, Executive shall receive and be entitled to participate, to the extent he is eligible under the terms and conditions thereof, in any profit sharing, pension, retirement, hospitalization, disability, medical service, insurance or other employee benefit plan generally available to the executive officers of the Corporation that may be in effect from time to time during the period of Executive's employment hereunder. The Corporation agrees to cover Executive under any directors' and officers' liability policy maintained by the Corporation.

(b) Executive shall be entitled to four (4) weeks' paid vacation in respect of each 12-month period during the term of his employment hereunder, such vacation to be taken at times mutually agreeable to Executive and the Board of Directors of the Corporation.

(c) Executive shall be entitled to recognize as holidays all days recognized as such by the Corporation.

7. REIMBURSEMENT OF EXPENSES. The Corporation shall reimburse Executive in accordance with applicable policies of the

Corporation for all expenses reasonably incurred by him in connection with the performance of his duties hereunder and the business of the Corporation, upon the submission to the Corporation of appropriate receipts or vouchers.

8. RESTRICTIVE COVENANT. (a) In consideration of the Corporation's entering into this Agreement, Executive agrees that during the period of his employment hereunder and, in the event of termination of this Agreement (i) by the Corporation upon Executive becoming Disabled (as that term is defined in Paragraph 13 hereof), (ii) by the Corporation for Cause (as that term is defined in Paragraph 14 hereof) or (iii) by Executive otherwise than for Employer Breach (as that term is defined in Paragraph 15 hereof), for a further period of six months thereafter, he will not (x) directly or indirectly own, manage, operate, join, control, participate in, invest in, whether as an officer, director, employee, partner, investor or otherwise, any business entity that is engaged in a directly competitive business (as hereinafter defined) to that of the Corporation or any of its subsidiaries within the United States of America, (y) for himself or on behalf of any other person, partnership, corporation or entity, call on any customer of the Corporation or any of its subsidiaries for the purpose of soliciting away, diverting or taking away any customer from the Corporation or its subsidiaries, or (z) solicit any person then engaged as an employee, representative, agent, independent contractor or otherwise by the Corporation or any of its subsidiaries, to terminate his or her relationship with the Corporation or any of its subsidiaries. For purposes of this Agreement, the term "directly competitive business" shall mean any business that is then involved in the research, development, manufacturing or commercialization in any way of any product, compound, device or method that acts or functions by, through or on the same active, binding or receptor site, mechanism of action, signaling pathway or channel as any product, compound, device or method that is or becomes a part of the Corporation's business or the business of any of its subsidiaries during Executive's employment by the Corporation or any of its subsidiaries. Nothing contained in this Agreement shall be deemed to prohibit Executive from investing his funds in securities of an issuer if the securities of such issuer are listed for trading on a national securities exchange or are traded in the over-the-counter market and Executive's holdings therein represent less than 10% of the total number of shares or principal amount of the securities of such issuer outstanding.

(b) Executive acknowledges that the provisions of this Paragraph 8 are reasonable and necessary for the protection of the Corporation, and that each provision, and the period or periods of time, geographic areas and types and scope of restrictions on the activities specified herein are, and are intended to be, divisible. In the event that any provision of this Paragraph 8, including any sentence, clause or part hereof, shall be deemed contrary to law or invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions shall not be affected, but

shall, subject to the discretion of such court, remain in full force and effect.

9. CONFIDENTIAL INFORMATION.

(a) Executive shall hold in a fiduciary capacity for the benefit of the Corporation and its subsidiaries all confidential information, knowledge and data relating to or concerned with its operations, sales, business and affairs, and he shall not, at any time during his employment hereunder and for two years thereafter, use, disclose or divulge any such information, knowledge or data to any person, firm or corporation other than to the Corporation and its subsidiaries or their respective designees or except as may otherwise be reasonably required or desirable in connection with the business and affairs of the Corporation and its subsidiaries.

(b) Notwithstanding anything to the contrary contained herein, Executive's obligations under Paragraph 9(a) hereof shall not apply to any information which:

(i) becomes rightfully known to Executive subsequent or prior to his employment by the Corporation;

(ii) is or becomes available to the public other than as a result of wrongful disclosure by Executive;

(iii) becomes available to Executive subsequent to his employment by the Corporation on a nonconfidential basis from a source other than the Corporation or its agents which source has a right to disclose such information; or

(iv) results from research and development and/or commercial operations at any time by or on behalf of any person, company or other entity with which or with whom Executive shall become associated (in a manner consistent with the terms of this Agreement) subsequent to his employment by the Corporation or its agents totally independent from any disclosure from the Corporation or its agents.

(c) Notwithstanding anything to the contrary contained herein, in the event that Executive becomes legally compelled to disclose any confidential information, Executive will provide the Corporation with prompt notice so that the Corporation may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, Executive shall furnish only such confidential information which is legally required to be disclosed.

10. INTELLECTUAL PROPERTY. Any idea, invention, design, written material, manual, system, procedure, improvement, development or discovery conceived, developed, created or made by Executive alone or with others, during the period of his employment hereunder and applicable to the business of the Corporation or any of its subsidiaries, whether or not patentable or registrable,

shall become the sole and exclusive property of the Corporation or such subsidiary. Executive shall disclose the same promptly and completely to the Corporation and shall, during the period of his employment hereunder and at any time and from time to time hereafter at no cost to Executive (i) execute all documents reasonably requested by the Corporation for vesting in the Corporation or any of its subsidiaries the entire right, title and interest in and to the same, (ii) execute all documents reasonably requested by the Corporation for filing and prosecuting such applications for patents, trademarks, service marks and/or copyrights as the Corporation, in its sole discretion, may desire to prosecute, and (iii) give the Corporation all assistance it reasonably requires, including the giving of testimony in any suit, action or proceeding, in order to obtain, maintain and protect the Corporation's right therein and thereto.

11. EQUITABLE RELIEF. The parties hereto acknowledge that Executive's services are unique and that, in the event of a breach or a threatened breach by Executive of any of his obligations under Paragraphs 8, 9 or 10 this Agreement, the Corporation shall not have an adequate remedy at law. Accordingly, in the event of any such breach or threatened breach by Executive, the Corporation shall be entitled to such equitable and injunctive relief as may be available to restrain Executive and any business, firm, partnership, individual, corporation or entity participating in such breach or threatened breach from the violation of the provisions of Paragraph 8, 9 or 10 hereof. Nothing herein shall be construed as prohibiting the Corporation from pursuing any other remedies available at law or in equity for such breach or threatened breach, including the recovery of damages and the immediate termination of the employment of Executive hereunder, if and to the extent permitted hereunder.

12. TERMINATION OF AGREEMENT; TERMINATION OF EMPLOYMENT; SEVERANCE; SURVIVAL. (a) This Agreement and Executive's employment hereunder shall terminate upon the first to occur of the following: (i) Executive becoming Disabled (as that term is defined in Paragraph 13 hereof); (ii) Executive's death; (iii) termination of Executive's employment by the Corporation for Cause or pursuant to subparagraph (b) of this Paragraph 12; (iv) termination of Executive's employment for Employer Breach and (v) the termination of this Agreement at the end of the term of this Agreement on the Termination Date pursuant to Paragraph 3.

(b) Notwithstanding anything to the contrary contained in this Agreement, in the event of the termination of the Executive's employment by the Corporation for any reason (other than for Cause), Executive shall be paid a severance payment equal to 75% of Executive's then current annual base salary payable in nine equal monthly installments, with the first installment being payable on the date falling two weeks after the date of such termination and each additional installment being paid every month after such date until such severance is paid in full. In the event of such termination of the Executive's employment by the Corporation (other than for Cause), the Corporation shall have no

further obligation to the Executive under this Agreement other than the Corporation's obligation (i) to make such severance payment to the Executive (ii) to pay Executive's COBRA premium payments for hospitalization and medical insurance coverage provided by the Corporation and to pay Executive's premiums on any death and/or disability insurance being maintained by the Corporation for

Executive at the time of such termination, in each case until the payment in full of such severance payments

(c) Paragraph 5(c) of this Agreement shall survive the termination of Executive's employment hereunder until the earlier to occur of Executive's exercise of all of the stock options granted pursuant to paragraph 5 and the expiration of all such stock options pursuant to the Stock Option Letters. Paragraphs 7, 8, 9, 10, 11 and 26 of this Agreement shall survive the termination of Executive's employment hereunder, except in the case of termination pursuant to Paragraph 15.

13. DISABILITY. In the event that during the term of his employment by the Corporation Executive shall become Disabled (as that term is hereinafter defined) he shall continue to receive the full amount of the base salary to which he was theretofore entitled for a period of six months after he shall be deemed to have become Disabled (the "First Disability Payment Period"). If the First Disability Payment Period shall end prior to the Termination Date, Executive thereafter shall be entitled to receive salary at an annual rate equal to 80% of his then current base salary for a further period ending on the earlier of (i) six months thereafter or (ii) the Termination Date (the "Second Disability Payment Period"). Upon the expiration of the Second Disability Payment Period, Executive shall not be entitled to receive any further payments on account of his base salary until he shall cease to be Disabled and shall have resumed his duties hereunder and provided that the Corporation shall not have theretofore terminated this Agreement as hereinafter provided. The Corporation may terminate Executive's employment hereunder at any time after Executive is Disabled, upon at least 10 days' prior written notice; PROVIDED, HOWEVER, that such termination shall not relieve the Corporation from its obligation to make the payments to Executive described above in this Paragraph 13. For the purposes of this Agreement, Executive shall be deemed to have become Disabled when (x) by reason of physical or mental incapacity, Executive is not able to perform his duties hereunder for a period of 90 consecutive days or for 120 days in any consecutive 180-day period or (y) when Executive's physician or a physician designated by the Corporation shall have determined that Executive shall not be able, by reason of physical or mental incapacity, to perform a substantial portion of his duties hereunder. In the event that Executive shall dispute any determination of his disability pursuant to clauses (x) or (y) above, the matter shall be resolved by the determination of three physicians qualified to practice medicine in the United States of America, one to be selected by each of the Corporation and Executive and the third to be selected by the designated physicians. If Executive shall receive benefits under any disability policy maintained by the Corporation, the Corporation

shall be entitled to deduct the amount equal to the benefits so received from base salary that it otherwise would have been required to pay to Executive as provided above.

14. TERMINATION FOR CAUSE. The Corporation may at any time upon written notice to Executive terminate Executive's employment for Cause. For purposes of this Agreement, the following shall constitute Cause: (i) the willful and repeated failure of Executive to perform any material duties hereunder or gross negligence of Executive in the performance of such duties, and if such failure or gross negligence is susceptible to cure by Executive, the

failure to effect such cure within twenty (20) days after written notice of such failure or gross negligence is given to Executive; (ii) except as permitted hereunder, unexplained, willful and regular absences of Executive from the Corporation; (iii) excessive use of alcohol or illegal drugs, interfering with the performance of Executives duties hereunder; (iv) indictment for a crime of theft, embezzlement, fraud, misappropriation of funds, other acts of dishonesty or the violation of any law or ethical rule relating to Executive's employment; (v) indicted for any other felony or other crime involving moral turpitude by Executive; or (vi) the breach by Executive of any of the provisions of paragraphs 8, 9 or 10 and if such breach is susceptible of cure by Executive, the failure to effect such cure within twenty (20) days after written notice of such breach is given to Executive. For purposes of this Agreement, an action shall be considered "willful" if it is done intentionally, purposely or knowingly, distinguished from an act done carelessly, thoughtlessly or inadvertently. In any such event, Executive shall be entitled to receive his base salary to and including the date of termination.

15. TERMINATION FOR EMPLOYER BREACH. Executive may upon written notice to the Corporation terminate this Agreement (including paragraphs 8, 9, 10 and 11) in the event of the breach by the Corporation of any material provision of this Agreement, and if such breach is susceptible of cure, the failure to effect such cure within 20 days after written notice of such breach is given to the Corporation (an "Employer Breach"). Executive's right to terminate this Agreement under this Paragraph 15 shall be in addition to any other remedies Executive may have under law or equity. Paragraphs 2(d), 7 and 12(b) of this Agreement shall survive the termination of this Agreement by Executive pursuant to this Paragraph 15.

16. INSURANCE POLICIES. The Corporation shall have the right from time to time to purchase, increase, modify or terminate insurance policies on the life of Executive for the benefit of the Corporation, in such amounts as the Corporation shall determine in its sole discretion. In connection therewith, Executive shall, at such time or times and at such place or places as the Corporation may reasonably direct, submit himself to such physical examinations and execute and deliver such documents as the Corporation may reasonably deem necessary or desirable.

17. ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes the entire agreement of the parties hereto, and any prior agreement between the Corporation and Executive is hereby superseded and terminated effective immediately and shall be without further force or effect. No amendment or modification himself shall be valid or binding unless made in writing and signed by the party against whom enforcement thereof is sought.

18. NOTICES. Any notice required, permitted or desired to be given pursuant to any of the provisions of this Agreement shall be delivered in person or sent by responsible overnight delivery service or sent by certified mail, return receipt requested, postage and fees prepaid, if to the Corporation, at its address set forth above to the attention of the Corporation's Chief Financial Officer and, if to Executive, at his address set forth above. Either of the parties hereto may at any time and from time to time change the address to which notice shall be sent hereunder by notice to the other party given under

this Paragraph 18. Notices shall be deemed effective upon receipt.

19. NO ASSIGNMENT; BINDING EFFECT. Neither this Agreement, nor the right to receive any payments hereunder, may be assigned by either party without the other party's prior written consent. This Agreement shall be binding upon Executive, his heirs, executors and administrators and upon the Corporation, its successors and assigns.

20. WAIVERS. No course of dealing nor any delay on the part of either party in exercising any rights hereunder shall operate as a waiver of any such rights. No waiver of any default or breach of this Agreement shall be deemed a continuing waiver or a waiver of any other breach or default.

21. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, except that body of law relating to choice of laws.

22. INVALIDITY. If any clause, paragraph, section or part of this Agreement shall be held or declared to be void, invalid or illegal, for any reason, by any court of competent jurisdiction, such provision shall be ineffective but shall not in any way invalidate or affect any other clause, paragraph, section or part of this Agreement.

23. FURTHER ASSURANCES. Each of the parties shall execute such documents and take such other actions as may be reasonably requested by the other party to carry out the provisions and purposes of this Agreement in accordance with its terms.

24. HEADINGS. The headings contained in this Agreement have been inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

25. PUBLICITY. The Corporation and Executive agree that they will not make any press releases or other announcements prior

to or at the time of execution of this Agreement with respect to the terms contemplated hereby, except as required by applicable law, without the prior approval of the other party, which approval will not be unreasonably withheld.

26. ARBITRATION. Any disputes arising under this Agreement shall be submitted to and determined by arbitration in New York City, New York; PROVIDED, HOWEVER, that such arbitration shall be held in St. Louis, Missouri in the event that the Company's principal executive offices is located at the time of such dispute in St. Louis, Missouri. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association. Any award or decision of the arbitration shall be conclusive in the absence of fraud and judgment thereon may be entered in any court having jurisdiction thereof. The costs of such arbitration shall be paid by the non-prevailing party to the extent directed by the arbitrator(s).

THIS AGREEMENT CONTAINS BINDING ARBITRATION PROVISIONS WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SHEFFIELD MEDICAL TECHNOLOGIES INC.

By: /s/ George Lombardi

George Lombardi
Vice President and Chief
Financial Officer

/s/ Carl F. Siekmann

Carl F. Siekmann

EX-27
6
FINANCIAL DATA SCHEDULE

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~~THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH STATEMENTS.~~

~~3-MOS~~
~~DEC-31-1997~~
~~MAR-31-1997~~
~~3,027,503~~
~~219,585~~
~~0~~
~~0~~
~~0~~
~~3,276,057~~
~~327,399~~
~~170,921~~
~~3,546,952~~
~~1,527,501~~
~~0~~
~~3,212,136~~
~~0~~
~~113,883~~
~~(1,327,317)~~

3,546,952
0
18,225
0
0
2,683,634
0
2,679
(2,668,088)
0
(2,668,088)
0
0
0
(2,668,088)
(.23)
(.23)

-----END PRIVACY-ENHANCED MESSAGE-----