U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 1996

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ________________

Commission file number 0-22686

PALATIN TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

DELAWARE 95-4078884
(State of incorporation or organization) (I.R.S. Employer Identification No.)

214 CARNEGIE CENTER - SUITE 100
PRINCETON, NEW JERSEY 08540
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (609) 520-1911

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, PAR VALUE $.01 PER SHARE

Check whether the Registrant (1) 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. [X]

As of February 14, 1997, 11,740,154 shares of the Registrant’s common stock, par value $.01 per share, were outstanding.

Documents incorporated by reference: None.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

PALATIN TECHNOLOGIES, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PALATIN TECHNOLOGIES, INC.
(A Development Stage Enterprise)
CONSOLIDATED BALANCE SHEETS

<table>
<thead>
<tr>
<th>December 31, 1996</th>
<th>June 30, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unaudited)</td>
<td>(Audited)</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 2,928,212</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>272</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>95,828</td>
</tr>
<tr>
<td></td>
<td>3,024,312</td>
</tr>
<tr>
<td>Equipment, net of accumulated depreciation of $208,826 and $183,535 as of December 31, 1996 and June 30, 1996, respectively</td>
<td>131,475</td>
</tr>
<tr>
<td>Intangibles, net of accumulated amortization of $97,851 and $91,366 as of December 31, 1996 and June 30, 1996, respectively</td>
<td>172,712</td>
</tr>
<tr>
<td></td>
<td>3,328,499</td>
</tr>
<tr>
<td><strong>LIABILITIES AND STOCKHOLDERS' EQUITY</strong></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 208,566</td>
</tr>
<tr>
<td>Accrued compensation owed to employees</td>
<td>--</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>310,285</td>
</tr>
<tr>
<td>Current portion of long-term financing, including accrued interest of $255,715 and $38,912 as of December 31, 1996 and June 30, 1996, respectively</td>
<td>741,865</td>
</tr>
<tr>
<td>Senior bridge notes, including related party transaction of $110,000 as of June 30, 1996</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>1,220,716</td>
</tr>
<tr>
<td>Long-term financing, including accrued interest of $73,830 and $273,339</td>
<td></td>
</tr>
</tbody>
</table>
as of December 31, 1996 and June 30, 1996, respectively

| Notes payable to stockholders, including accrued interest of |
| $39,979 and $35,979 as of December 31, 1996 and June 30, 1996, |
| respectively |
| 1,214,743 |
| 1,727,619 |
| 119,979 |
| 115,979 |
| 2,595,438 |
| 4,202,998 |

Stockholders’ equity:

- Preferred stock, $.01 and 2,000,000 shares authorized, as of December 31, 1996 and June 30, 1996, no shares issued
  - 117,263
  - 115,388

- Common stock, $.01 and 25,000,000 shares authorized, as of December 31, 1996 and June 30, 1996; and 11,726,330 and 11,538,777 issued as of December 31, 1996 and June 30, 1996, respectively
  - 10,812,518
  - 10,804,394

- Treasury stock, 1,229 shares
  - (1,667)
  - (1,667)

- Additional paid-in capital
  - 296,112
  - 53,030

- Common stock earned but not issued
  - (10,401,165)
  - (8,132,938)

- Deficit accumulated during development stage
  - 733,061
  - 2,838,207

- Total stockholders’ equity
  - $ 3,328,499
  - $ 7,041,205

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.
### Inception

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
<th>Inception (January 28, 1996)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 1996</td>
<td>December 31, 1995</td>
<td>through December 31, 1996</td>
</tr>
<tr>
<td></td>
<td>1996</td>
<td>1995</td>
<td></td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>$</td>
<td>$</td>
<td>$ 2,860,512</td>
</tr>
<tr>
<td>License fees and royalties</td>
<td>--</td>
<td>--</td>
<td>334,296</td>
</tr>
<tr>
<td>Sales</td>
<td>2,838</td>
<td>22,184</td>
<td>8,731</td>
</tr>
<tr>
<td></td>
<td>318,917</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>--</td>
<td>22,184</td>
<td>8,731</td>
</tr>
<tr>
<td></td>
<td>3,513,725</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>562,315</td>
<td>187,006</td>
<td>1,250,267</td>
</tr>
<tr>
<td>General and administrative</td>
<td>492,103</td>
<td>281,544</td>
<td>946,568</td>
</tr>
<tr>
<td></td>
<td>1,054,418</td>
<td>468,550</td>
<td>2,196,835</td>
</tr>
<tr>
<td>Total expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,054,418</td>
<td>468,550</td>
<td>2,196,835</td>
</tr>
<tr>
<td></td>
<td>1,192,779</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER INCOME (EXPENSES):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>50,571</td>
<td>122,695</td>
<td>194,075</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(87,001)</td>
<td>(128,557)</td>
<td>(216,272)</td>
</tr>
<tr>
<td>Placement agent commissions and fees on debt offering</td>
<td>(33,800)</td>
<td>(33,800)</td>
<td>(168,970)</td>
</tr>
<tr>
<td>Merger costs</td>
<td>(90,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring charge</td>
<td>(90,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net intangibles write down</td>
<td>--</td>
<td>--</td>
<td>(259,334)</td>
</tr>
<tr>
<td></td>
<td>(26,430)</td>
<td>(252,357)</td>
<td>(93,577)</td>
</tr>
<tr>
<td>Total other income (expenses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2,418,686)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET LOSS:</strong></td>
<td>$ (1,090,848)</td>
<td>$ (717,069)</td>
<td>$ (2,268,228)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ (1,247,418)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ (10,401,165)</td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding</td>
<td>11,574,122</td>
<td>1,276,786</td>
<td>11,555,875</td>
</tr>
<tr>
<td>Net loss per common share</td>
<td>$ (0.09)</td>
<td>$ (0.56)</td>
<td>$ (0.20)</td>
</tr>
</tbody>
</table>

The accompanying notes to consolidated financial statements are an integral part of these statements.
CASH FLOWS FROM OPERATING ACTIVITIES:

- Net loss                                             $ (2,268,227)   $ (1,247,418)   $ (10,401,165)
- Adjustments to reconcile net loss to net cash used for operating activities:
  - Depreciation and amortization                        32,673            52,870             341,246
  - Interest expense on related-party debt               4,000             4,000              57,387
  - Accrued interest on long-term financing             153,082           166,927             949,120
  - Accrued interest on short-term financing            (100,000)           41,297               7,936
  - Intangibles and equipment write down                279,318
  - Equity and notes payable issued for expenses        --                --             296,047
    - Settlement with consultant                         --                --             (28,731)
  - Changes in certain operating assets and liabilities:
    - Accounts receivable                                4,303             3,991                (271)
    - Prepaid expenses and other                        (29,398)          (11,072)            (95,828)
    - Intangibles                                       (97,546)           (9,847)           (524,883)
    - Accounts payable                                  (5,858)           40,445             207,666
    - Accrued compensation owed to employees            (344,912)           23,253             339,016
- Net cash used for operating activities               (2,729,967)         (932,104)         (8,557,594)

CASH FLOWS FROM INVESTING ACTIVITIES:

- Purchases of property and equipment                  (60,413)           (9,513)           (395,642)

CASH FLOWS FROM FINANCING ACTIVITIES:

- Proceeds from notes payable, related party           302,000
- Payments on notes payable, related party             (302,000)           (309,936)
- Proceeds from senior bridge notes payable           1,260,000           1,850,000
- Payments on senior bridge notes                     (1,000,000)               --          (1,850,000)
- Proceeds from long-term financing                    1,951,327
- Payments on notes payable and long-term financing    (82,706)           (30,000)           (272,767)
- Proceeds from paid-in capital from common stock warrants  9,999                  --          109,999
- Proceeds from common stock, stock option issuances and preferred stock, net  7,600          10,102,242
- Purchase of treasury stock and fractional shares     --                --             (1,667)
- Net cash provided by financing activities            (1,072,707)          935,600          11,881,448

NET INCREASE (DECREASE) IN CASH                       (3,863,088)          (6,017)          2,928,212

CASH and cash equivalents, beginning of period          6,791,300           46,768

CASH and cash equivalents, end of period                $ 2,928,212         $ 40,751          $ 2,928,212
(1) Nature of Business

Through its wholly-owned subsidiary RhoMed Incorporated ("RhoMed"), Palatin Technologies, Inc. (the "Company") is a development-stage biopharmaceutical company dedicated to developing and commercializing products and technologies for diagnostic imaging, cancer therapy and ethical drug development utilizing peptide, monoclonal antibody and radiopharmaceutical technologies. The Company was incorporated under the laws of the State of Delaware on November 21, 1986. Since June 25, 1996, the effective date of the merger (the "Merger") of a wholly-owned subsidiary of the Company with and into RhoMed, all outstanding shares of RhoMed equity securities were exchanged for the Company's common stock, $.01 par value per share (the "Common Stock"). The business of RhoMed represents the on-going business of the Company.

As a result of the Merger, RhoMed became a wholly-owned subsidiary of the Company, with the holders of RhoMed preferred stock and RhoMed common stock (including the holders of "RhoMed Derivative Securities" as hereafter defined) receiving an aggregate of approximately 96% interest in the equity securities of the Company on a fully-diluted basis. Additionally, all warrants and options to purchase common stock of RhoMed outstanding immediately prior to the Merger (the "RhoMed Derivative Securities"), including without limitation, any rights underlying RhoMed's qualified or nonqualified stock option plans, were automatically converted into rights upon exercise to receive the Company's Common Stock in the same manner in which the shares of RhoMed common stock were converted. Since the former stockholders of RhoMed retained more than a 50% controlling interest in the surviving company (Palatin Technologies, Inc.), the Merger was accounted for as a reverse merger. The historical financial statements prior to June 25, 1996, are those of RhoMed, except that the net loss per common share has been stated on an as if converted basis.

Since its inception, RhoMed has devoted substantially all of its efforts and resources to the research and development of its technology. RhoMed has experienced operating losses in each year since its inception and, as of December 31, 1996, the Company, including its wholly-owned subsidiary RhoMed, had a deficit accumulated during the development stage of $10,401,165. The Company expects to incur additional operating losses over the next several years and expects cumulative losses to increase as the Company's research and development and clinical testing efforts continue and expand. The ultimate completion of the Company's development projects is contingent upon a number of factors, including the successful completion of technology and product development, obtaining required regulatory approvals and additional financing and, ultimately, successfully commercializing its products and achieving profitable operations.
(2) Basis of Presentation

The accompanying financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosure normally included in the Company's audited annual financial statements has been condensed or omitted in the Company's interim financial statements. In the opinion of the Company, these financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the Company as of December 31, 1996 and June 30, 1996, and the results of operations for the three and six month periods ended December 31, 1996 and 1995 and cash flows for the six months ended December 31, 1996 and 1995, and for the period from inception (January 28, 1986) to December 31, 1996. The results of operations for the interim period may not necessarily be indicative of the results of operations expected for the full year, except that the Company expects to incur a significant loss for the fiscal year ended June 30, 1997.

The accompanying financial statements and the related notes should be read in conjunction with the Company's audited financial statements for the ten months ended June 30, 1996 and the fiscal years ended August 31, 1995 and 1994 filed with the Company's Form 10-KSB for the transition period from September 1, 1995 to June 30, 1996.

(3) Summary of Significant Accounting Policies:

Research and Development Costs -- The costs of research and development activities are expensed as incurred.

Net Loss per Common Share -- Net loss per common share is calculated based upon the weighted average number of shares of Common Stock, on an as if converted basis, outstanding during each period. All options and warrants were excluded in the calculation of weighted average shares outstanding since their inclusion would have had, in the aggregate, an anti-dilutive effect.

Use of Estimates -- The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(4) Senior Bridge Notes:

Class A Offering -- On July 28, 1995, the Board of Directors of RhoMed authorized an offering of up to 40 units at $25,000 per unit, with each unit consisting of a $25,000 face amount Senior Bridge Note and a Class A Warrant to purchase 75,000 shares of RhoMed common stock (equivalent to 13,285 shares of Common Stock) at an exercise price of $.01 per share (the "Class A Offering"). The Senior Bridge Notes sold in the Class A Offering (the "Senior Bridge Notes") bore interest at 1% per month, and were payable, with accrued interest, one year from the date of issuance. All of the 40
Class A Offering units were purchased with proceeds prior to commissions and expenses of $1,000,000. In August and September of 1996, the Senior Bridge Notes sold in the Class A Offering were repaid in full, totaling $1,000,000 of principal and $120,000 of accrued interest.

(5) Equipment:

Equipment consists of the following at December 31, 1996 and June 30, 1996:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 1996</th>
<th>June 30, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>$ 257,016</td>
<td>$ 202,960</td>
</tr>
<tr>
<td>Laboratory equipment</td>
<td>83,285</td>
<td>76,929</td>
</tr>
<tr>
<td><strong>Equipment at cost</strong></td>
<td><strong>340,301</strong></td>
<td><strong>279,889</strong></td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>208,826</td>
<td>183,535</td>
</tr>
<tr>
<td><strong>Costs and Accumulated depreciation</strong></td>
<td><strong>$ 131,475</strong></td>
<td><strong>$ 96,354</strong></td>
</tr>
</tbody>
</table>

(6) Commitments and Contingencies:

Leases -- The Company leases certain of its facilities and equipment under noncancellable operating leases. In October 1996, the lease on the facility in Albuquerque, New Mexico was extended from December 31, 1996 until August 31, 1997. Minimum future lease payments at December 31, 1996, are approximately $46,000 for the remaining six months of fiscal year 1997, and approximately $12,000 to $21,000 per year thereafter until fiscal year 2001. Certain leases have been personally guaranteed by one or more former officers of RhoMed.

Merger Costs -- In conjunction with the Merger, costs of $475,000 have been charged to operations for the ten months ended June 30, 1996, and accrued expenses include $17,419 of this amount as of December 31, 1996.

Restructuring Charge -- In conjunction with the Company's decision to consolidate and relocate its research and development facilities and executive offices in the New Jersey area, the Company established a restructuring charge of $450,000. The restructuring charge represents mainly severance costs, facility closing expenses and recruiting fees. Included in accrued expenses at December 31, 1996, is $142,736 of this restructuring charge.


General

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto filed as part of this Form 10-QSB. Unless otherwise indicated herein, all references to the Company
include Palatin Technologies, Inc. and its wholly owned subsidiary, RhoMed.

Certain statements in the Company's Form 10-QSB contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance, or achievements express or implied by such forward looking statement.

The Company's business is subject to significant risks, including the uncertainties associated with product development of pharmaceutical products, problems or delays with clinical trials, failure to receive or delays in receiving regulatory approval, lack of enforceability of patents and proprietary rights, industry capacity, industry trends, competition, material costs and availability, changes in business strategy or development plans, quality of management, availability of capital, availability of qualified personnel, the effect of government regulation and other risks detailed in the Company's Commission filings, including the Company's Form 10-KSB for the transition period from September 1, 1995 to June 30, 1996. The Company expects to incur substantial operating losses over the next several years due to continuing expenses associated with its research and development programs, including pre-clinical testing, clinical trials and manufacturing. Operating losses may also fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred.

Results of Operations

Three and Six Month Periods Ended December 31, 1996 Compared to Three and Six Month Periods Ended December 31, 1995. During the three month period ended December 31, 1996, the Company discontinued the manufacture and sale of RhoChek, the sole product sold by the Company, due to insufficient sales. There were no revenues in the three month period ended December 31, 1996, compared to $3,838 in the three month period ended December 31, 1995. Revenues in the six month period ended December 31, 1996 were $22,184 compared to $8,731 in the six month period ended December 31, 1995. The Company anticipates no additional revenues from the sale of products in the current fiscal year.

Research and development expenses increased to $562,315 for the three month period ended December 31, 1996 from $187,006 for the three month period ended December 31, 1995, with expenses of $1,250,267 for the six month period ended December 31, 1996 compared to $315,743 for the six month period ended December 31, 1995. The increase in expenses for both the current three and six month periods is attributable to expansion in the scale of the Company's research and development operations, primarily relating to development of the Company's Leu-Tech product for diagnostic imaging of infections, including increased expenses for manufacturing scale-up, consulting and clinical trials, and also relating to increased research expenses on the Company's MIDAS metallopeptide technology. The Company expects research and development expenses to continue to increase in future quarters as the Company expands manufacturing efforts and initiates clinical trials on the Leu-Tech product and significantly expands its efforts to develop the MIDAS metallopeptide technology.
General and administrative expenses increased to $492,103 for the three month period ended December 31, 1996 from $281,544 for the three month period ended December 31, 1995, and increased to $946,568 for the six month period ended December 31, 1996 from $611,950 for the six month period ended December 31, 1995. The increase is attributable primarily to the hiring of certain key executives, the leasing of executive offices in New Jersey, and increased travel and consulting expenses. General and administrative expenses are expected to remain approximately at current levels through the remainder of fiscal year 1997.

Interest income was $50,571 and $122,695 for the three and six month periods ended December 31, 1996, compared with no interest income for the three and six month periods ended December 31, 1995. The interest income is primarily the result of interest on net proceeds from Common Stock offerings of approximately $9,000,000 completed in June 1996. Interest expenses decreased to $87,001 for the three month period ended December 31, 1996 compared with $128,557 for the three month period ended December 31, 1995, and increased to $216,272 from $204,656 for the six month periods ended December 31, 1996 and 1995, respectively. Interest expense as of December 31, 1996, is comprised of (i) interest on long-term financing provided by Aberlyn Holding Company, the principal and accrued interest of which totaled $1,956,608, (ii) interest on notes payable to stockholders, the principal amount of which is $80,000, and (iii) interest on Senior Bridge Notes which were repaid in full in the first quarter of the current fiscal year. As a result of repayment by the Company of the Senior Bridge Notes, the principal amount of which was $1,000,000, interest expense is expected to remain at current levels for the balance of the current fiscal year, and substantially below the levels for the prior fiscal year.

Net loss increased from $717,069 for the three month period ended December 31, 1995 to $1,090,848 for the three month period ended December 31, 1996, and increased from $1,247,418 for the six month period ended December 31, 1995 to $2,268,228 for the six month period ended December 31, 1996. The net loss per share decreased in both the three and six month period ended December 31, 1996 compared to the prior year, a result related to the substantial increase in the weighted average shares outstanding. There were 11,574,122 shares outstanding in the three month period ended December 31, 1996 compared to 1,276,786 shares outstanding in the three month period ended December 31, 1995, and 11,555,875 shares outstanding in the six month period ended December 31, 1996 compared to 1,276,232 shares outstanding in the six month period ended December 31, 1995. The increase in the shares outstanding is primarily the result of issuance of 7,664,844 shares of Common Stock in connection with the sale of Common Stock completed in June 1996.

Liquidity and Capital Resources

Since its inception, the Company has incurred net operating losses and, as of December 31, 1996, had an accumulated deficit of $10,401,165. The Company has financed its net operating losses through December 31, 1996 by a series of debt and equity financings. At December 31, 1996, the Company’s cash position amounted to $2,928,212.

For the six months ended December 31, 1996, the net decrease in cash amounted to $3,863,088. Cash used for operating activities was $2,729,967,
net cash used for investing activities was $60,413, and cash used by financing activities was $1,072,707, mainly comprised of the $1,000,000 principal repayment of the Senior Bridge Notes. The current portion of long-term debt maturing in fiscal year 1997 is $191,695.

The Company intends to relocate its research and development facility from Albuquerque, New Mexico to New Jersey during the last quarter of fiscal year 1997 or the first quarter of fiscal year 1998. The Company is currently in negotiations to lease facilities, and anticipates that the cost of tenant improvements and acquisition of laboratory equipment will exceed $1,500,000.

In December 1996, the Company entered into a License Option Agreement (the "Agreement") with a foreign developer and manufacturer of radiopharmaceutical drugs ("Licensee"). Pursuant to the Agreement, Licensee has the option to exclusively license certain jointly developed radiopharmaceutical diagnostic products based on the Company's MIDAS metallopeptide technology. In January 1997, the Company received an initial payment pursuant to the Agreement of $1,000,000. There can be no assurance that the Company and Licensee will ever enter into a definitive license agreement, that additional payments provided for in the Agreement will be made, or that the strategic alliance between the Company and Licensee will result in the development or commercialization of any product.

The Company's future capital requirements depend on numerous factors which cannot be quantified, including continued progress in its research and development activities, progress with pre-clinical studies and clinical trials, prosecuting and enforcing patent claims, technological and market developments, the ability of the Company to establish product development arrangements, the cost of manufacturing scale-up, effective marketing activities and arrangements, and licensing or acquisition activity.

The Company is seeking to obtain additional funds through equity financings and collaborative or other arrangements with corporate partners and others. There can be no assurance that the Company will consummate any equity financing or additional collaborative or other arrangements with corporate partners or others on acceptable terms, if at all, and if the Company does not consummate an equity financing or additional collaborative or other arrangements with corporate partners, then the Company's current cash position may not be sufficient to meet its debt obligations and fund operations through fiscal year 1997. If adequate additional funds are not available, the Company may be required to delay, scale back or eliminate certain of its research, drug discovery or development activities or certain other aspects of its business, which would have a material and adverse affect on the Company.

The Company has been seeking and expects to continue to seek to license or acquire certain products and technologies. If the Company is successful in acquiring a product or technology, substantial funds may be required for such acquisition and subsequent development or commercialization. To date, the Company has not completed an acquisition and there can be no assurance that any acquisition will be consummated in the future.

The Company anticipates incurring additional losses over at least the next several years, and such losses are expected to increase as the Company expands its research and development activities relating to its MIDAS metallopeptide technology and its radiolabeling technology. To achieve
profitability, the Company, alone or with others, must successfully develop and commercialize its technologies and products, conduct pre-clinical studies and clinical trials, obtain required regulatory approvals and successfully manufacture, introduce and market such technologies and products. The time required to reach profitability is highly uncertain, and there can be no assurance that the Company will be able to achieve profitability on a sustained basis, if at all.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.
None.

Item 2. Change in Securities.
During the three months ended December 31, 1996 the Company sold the following shares of Common Stock which were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Shares</th>
<th>Sold To</th>
<th>Total Offering Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 11, 1996</td>
<td>119,796</td>
<td>Option Holder</td>
<td>$6,499</td>
</tr>
<tr>
<td>October 28, 1996</td>
<td>27,649</td>
<td>Warrant Holders</td>
<td>$1,500</td>
</tr>
<tr>
<td>November 21, 1996</td>
<td>27,649</td>
<td>Warrant Holder</td>
<td>$1,500</td>
</tr>
<tr>
<td>December 9, 1996</td>
<td>13,824</td>
<td>Warrant Holder</td>
<td>$750</td>
</tr>
</tbody>
</table>

None of the shares of Common Stock were publicly offered or sold through underwriters, and no underwriting discounts or commissions were paid. The Company claimed exemption from registration pursuant to Section 4(2) of the Securities Act because each transaction was the sale of restricted stock to the exercising holder of a restricted option or warrant, not involving any public offering.

Item 3. Defaults Upon Senior Securities.
None.

Item 4. Submission of Matters to a Vote of Security Holders.
None.

Item 5. Other Information.
None.

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

(a) Exhibits:

3.2 Bylaws of the Company.
27.1 Financial Data Schedule.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter for which this report is filed.

Signatures
BY-LAWS OF PALATIN TECHNOLOGIES, INC.

BY-LAWS

OF

PALATIN TECHNOLOGIES, INC.

ARTICLE I

OFFICES

SECTION 1.01. Registered Office. The registered office of PALATIN TECHNOLOGIES, INC. (the "Corporation") in the State of Delaware shall be at the principal office of The Corporation Trust Company in the City of Wilmington, County of New Castle, and the registered agent in charge thereof shall be The Corporation Trust Company.

SECTION 1.02. Other Offices. The Corporation may also have an office or offices at any other place or places within or without the State of Delaware as the Board of Directors of the Corporation (the "Board" may from
time to time determine or the business of the Corporation may from time to
time require

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 2.01. Annual Meetings. The annual meeting of
stockholders of the Corporation for the election of directors of the
Corporation ("Directors), and for the transaction of such other business as
may properly come before such meeting, shall be held at such place, date and
time as shall be fixed by the Board and designated in the notice or waiver of
notice of such annual meeting; provided, however, that no annual meeting of
stockholders need be held if all actions, including the election of Directors,
required by the General Corporation Law of the State of Delaware (the "General
Corporation Law") to be taken at such annual meeting are taken by written
consent in lieu of meeting pursuant to Section 2.09 hereof.

SECTION 2.02. Special Meetings. Special meetings of stockholders
for any purpose or purposes may be called by the Board or the Chairman of the
Board, the President or the Secretary of the Corporation or by the
recordholders of at least ten percent of the shares of common stock of the
Corporation issued and outstanding ("Shares") and entitled to vote thereat, to
be held at such place, date and time as shall be designated in the notice or
waiver of notice thereof.

SECTION 2.03. Notice of Meetings. (a) Except as otherwise
provided by law, written notice of each annual or special meeting of
stockholders stating the place, date and time of such meeting and, in the case
Page 1

of a special meeting, the purpose or purposes for which such meeting is to be
held, shall be given personally or by first-class mail (airmail in the case of
international communications) to each recordholder of Shares (a "Stockholder")
entitled to vote thereat, not less than 10 nor more than 60 days before the
date of such meeting. If mailed, such notice shall be deemed to be given when
deposited in the United States mail, postage prepaid, directed to the
Stockholder at such Stockholder's address as it appears on the records of the
Corporation. If, prior to the time of mailing, the Secretary of the
Corporation (the "Secretary") shall have received from any Stockholder a
written request that notices intended for such Stockholder are to be mailed to
some address other than the address that appears on the records of the
Corporation, notices intended for such Stockholder shall be mailed to the
address designated in such request.

(b) Notice of a special meeting of Stockholders may be given by
the person or persons calling the meeting, or, upon the written request of
such person or persons, such notice shall be given by the Secretary on behalf
of such person or persons. If the person or persons calling a special meeting
of Stockholders give notice thereof, such person or persons shall deliver a
copy of such notice to the Secretary. Each request to the Secretary for the
giving of notice of a special meeting of Stockholders shall state the purpose
or purposes of such meeting.

SECTION 2.04. Waiver of Notice. Notice of any annual or special
meeting of Stockholders need not be given to any Stockholder who files a written waiver of notice with the Secretary, signed by the person entitled to notice, whether before or after such meeting. Neither the business to be transacted at, nor the purpose of, any meeting of Stockholders need be specified in any written waiver of notice thereof. Attendance of a Stockholder at a meeting, in person or by proxy, shall constitute a waiver of notice of such meeting, except when such Stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the notice of such meeting was inadequate or improperly given.

SECTION 2.05. Adjournments. Whenever a meeting of Stockholders, annual or special, is adjourned to another date, time or place, notice need not be given of the adjourned meeting if the date, time and place thereof are announced at the meeting at which the adjournment is taken. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder entitled to vote thereat. At the adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

SECTION 2.06. Quorum. Except as otherwise provided by law or the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the recordholders of a majority of the Shares entitled to vote thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at all meetings of Stockholders, whether annual or special. If, however, such quorum shall not be present in person or by proxy at any meeting of Stockholders, the Stockholders entitled to vote thereat may adjourn the meeting from time to time in accordance with Section 2.05 hereof until a quorum shall be present in person or by proxy.

SECTION 2.07. Voting. Each Stockholder shall be entitled to one vote for each Share held of record by such Stockholder. Except as otherwise provided by law or the Certificate of Incorporation, when a quorum is present at any meeting of Stockholders, the vote of the recordholders of a majority of the Shares constituting such quorum shall decide any question brought before such meeting.

SECTION 2.08. Proxies. Each Stockholder entitled to vote at a meeting of Stockholders or to express, in writing, consent to or dissent from any action of Stockholders without a meeting may authorize another person or persons to act for such Stockholder by proxy. Such proxy shall be filed with the Secretary before such meeting of Stockholders or such action of Stockholders without a meeting, at such time as the Board may require. No proxy shall be voted or acted upon more than three years from its date, unless the proxy provides for a longer period.

SECTION 2.09. Stockholders' Consent in Lieu of Meeting. Any action required by the General Corporation Law to be taken at any annual or special meeting of Stockholders, and any action which may be taken at any annual or special meeting of Stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the recordholders of Shares having not less than the minimum number of votes necessary to authorize or take such action at a meeting at which the recordholders of all Shares
entitled to vote thereon were present and voted.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.01. General Powers. The business and affairs of the Corporation shall be managed by the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these By-laws directed or required to be exercised or done by Stockholders.

SECTION 3.02. Number and Term of Office. The number of Directors shall be five or such other number as shall be fixed from time to time by the Board. Directors need not be Stockholders. Directors shall be elected at the annual meeting of Stockholders or, if, in accordance with Section 2.01 hereof, no such annual meeting is held, by written consent in lieu of meeting pursuant to Section 2.09 hereof, and each Director shall hold office until his successor is elected and qualified, or until his earlier death or resignation or removal in the manner hereinafter provided.

SECTION 3.03. Resignation. Any Director may resign at any time by giving written notice to the Board, the Chairman of the Board of the Corporation (the “Chairman”) or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board, the Chairman or the Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.04. Removal. Any or all of the Directors may be removed, with or without cause, at any time by vote of the recordholders of a majority of the Shares then entitled to vote at an election of Directors, or by written consent of the recordholders of Shares pursuant to Section 2.09 hereof.

SECTION 3.05. Vacancies. Vacancies occurring on the Board as a result of the removal of Directors without cause may be filled only by vote of the recordholders of a majority of the Shares then entitled to vote at an election of Directors, or by written consent of such recordholders pursuant to Section 2.09 hereof. Vacancies occurring on the Board for any other reason, including, without limitation, vacancies occurring as a result of the creation of new directorships that increase the number of Directors, may be filled by such vote or written consent or by vote of the Board or by written consent of the Directors pursuant to Section 3.08 hereof. If the number of Directors then in office is less than a quorum, such other vacancies may be filled by vote of a majority of the Directors then in office or by written consent of all such Directors pursuant to Section 3.08 hereof. Unless earlier removed pursuant to Section 3.04 hereof, each Director chosen in accordance with this Section 3.05 shall hold office until the next annual election of Directors by the Stockholders and until his successor shall be elected and qualified.

SECTION 3.06. Meetings. (a) Annual Meetings. As soon as practicable after each annual election of Directors by the Stockholders, the
Board shall meet for the purpose of organization and the transaction of other business, unless it shall have transacted all such business by written consent pursuant to Section 3.08 hereof.

(b) Other Meetings. Other meetings of the Board shall be held at such times as the Chairman, the President of the Corporation (the "President"), the Secretary or a majority of the Board shall from time to time determine.

(c) Notice of Meetings. The Secretary shall give written notice to each Director of each meeting of the Board, which notice shall state the place, date, time and purpose of such meeting. Notice of each such meeting shall be given to each Director, if by mail, addressed to him at his residence or usual place of business, at least two days before the day on which such meeting is to be held, or shall be sent to him at such place by telecopy, telegraph, cable, or other form of recorded communication, or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. A written waiver of notice, signed by the Director entitled to notice, whether before or after the time of the meeting referred to in such waiver, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose any meeting of the Board need be specified in any written waiver of notice thereof. Attendance of a Director at a meeting of the Board shall constitute a waiver of notice of such meeting, except as provided by law.

(d) Place of Meetings. The Board may hold its meetings at such place or places within or without the State of Delaware as the Board or the Chairman may from time to time determine, or as shall be designated in the respective notices or waivers of notice of such meetings.

(e) Quorum and Manner of Acting. One-third of the total number of Directors then in office (but in no event less than two if the total number of directorships, including vacancies, is greater than one and in no event a number less than one-third of the total number of directorships, including vacancies) shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those Directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law, the Certificate of Incorporation or these By-laws. In the absence of a quorum for any such meeting, a majority of the Directors present thereat may adjourn such meeting from time to time until a quorum shall be present.

(f) Organization. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside, in the following order of precedence:

(i) the Chairman;

(ii) the President;

(iii) any Director chosen by a majority of the Directors present.
The Secretary or, in the case of his absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary is present) whom the chairman of the meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 3.07. Committees of the Board. The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the meeting in the place of any such absent or disqualified member. Any committee of the Board, to the extent provided in the resolution of the Board designating such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no such committee shall have such power or authority in reference to amending the Certificate of Incorporation (except that such a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board as provided in Section 151(a) of the General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes of stock, of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation under Section 251 or 252 of the General Corporation Law, recommending to the Stockholders the sale, lease or exchange of all or substantially all the Corporation's property and assets, recommending to the Stockholders a dissolution of the Corporation or the revocation of a dissolution, or amending these By-laws; provided further, however, that, unless expressly so provided in the resolution of the Board designating such committee, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law. Each committee of the Board shall keep regular minutes of its proceedings and report the same to the Board when so requested by the Board.

SECTION 3.08. Directors' Consent in Lieu of Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, without prior notice and without a vote, if a consent in writing setting forth the action so taken, shall be signed by all the members of the Board or such committee and such consent is filed with the minutes of the proceedings of the Board or such committee.

SECTION 3.09. Action by Means of Telephone or Similar Communications Equipment. Any one or more members of the Board, or of any committee thereof, may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means
of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

SECTION 3.10. Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board may determine the compensation of Directors. In addition, as determined by the Board, Directors may be reimbursed by the Corporation for their expenses, if any, in the performance of their duties as Directors. No such compensation or reimbursement shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV
OFFICERS

SECTION 4.01. Officers. The officers of the Corporation shall be the Chairman, the President, the Secretary and a Treasurer and may include one or more Vice Presidents and one or more Assistant Secretaries and an Assistant Treasurer. Any two or more offices may be held by the same person.

SECTION 4.02. Authority and Duties. All officers shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-laws or, to the extent not so provided, by resolution of the Board.

SECTION 4.03. Term of Office. Resignation and Removal. (a) Each officer shall be appointed by the Board and shall hold office for such term as may be determined by the Board. Each officer shall hold office until his successor has been appointed and qualified or his earlier death or resignation or removal in the manner hereinafter provided. The Board may require any officer to give security for the faithful performance of his duties.

(b) Any officer may resign at any time by giving written notice to the Board, the Chairman, the President or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board, the Chairman, the President or the Secretary, as the case may be. Unless, otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

(c) All officers and agents appointed by the Board shall be subject to removal, with or without cause, at any time by the Board or by the action of the recordholders of a majority of the Shares entitled to vote thereon.

SECTION 4.04. Vacancies. Any vacancy occurring in any office of the Corporation, for any reason, shall be filled by action of the Board. Unless earlier removed pursuant to Section 4.03 hereof, any officer appointed by the Board to fill any such vacancy shall serve only until such time as the unexpired term of his predecessor expires unless reappointed by the Board.

SECTION 4.05. The Chairman. The Chairman shall have the power to call special meetings of Stockholders, to call special meetings of the Board and, if present, to preside at all meetings of Stockholders and all meetings of the Board. The Chairman shall perform all duties incident to the office of Chairman of the Board and all such other duties as may from time to time be
assigned to him by the Board or these By-laws. The office of Chairman of the Board may be filled by two individuals serving simultaneously and who shall be referred to collectively as Co-Chairmen and who shall each individually be referred to as a Co-Chairman.

SECTION 4.06. The President. The President shall be the chief executive officer of the Corporation and shall have general and active management and control of the business and affairs of the Corporation, subject to the control of the Board, and shall see that all orders and resolutions of the Board are carried into effect. The President shall perform all duties incident to the office of President and all such other duties as may from time to time be assigned to him by the Board or these By-laws.

SECTION 4.07. Vice Presidents. Vice Presidents, if any, in order of their seniority or in any other order determined by the Board, shall generally assist the President and perform such other duties as the Board or the President shall prescribe, and in the absence or disability of the President, shall perform the duties and exercise the powers of the President.

SECTION 4.08. The Secretary. The Secretary shall, to the extent practicable, attend all meetings of the Board and all meetings of Stockholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform the same duties for any committee of the Board when so requested by such committee. He shall give or cause to be given notice of all meetings of Stockholders and of the Board, shall perform such other duties as may be prescribed by the Board, the Chairman or the President and shall act under the supervision of the Chairman. He shall keep in safe custody the seal of the Corporation and affix the same to any instrument that requires that the seal be affixed to it and which shall have been duly authorized for signature in the name of the Corporation and, when so affixed, the seal shall be attested by his signature or by the signature of the Treasurer of the Corporation (the "Treasurer") or an Assistant Secretary or the Assistant Treasurer of the Corporation (the Assistant Treasurer) of the Corporation. He shall keep in safe custody the certificate books and stockholder records and such other books and records of the Corporation as the Board, the Chairman or the President may direct and shall perform all other duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board, the Chairman or the President.

SECTION 4.09. Assistant Secretaries. Assistant Secretaries of the Corporation ("Assistant Secretaries"), if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Secretary and perform such other duties as the Board or the Secretary shall prescribe, and, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

SECTION 4.10. Treasurer. The Treasurer shall have the care and custody of the funds of the Corporation and shall deposit such funds in such banks or other depositories as the Board, or any officer or officers, or any officer and agent jointly, duly authorized by the Board, shall, from time to time, direct or approve. He shall disburse the funds of the Corporation under the direction of the Board and the President. He shall keep a full and accurate account of all moneys received and paid on account of the Corporation and shall render a statement of his accounts whenever the Board, the Chairman
or the President shall so request. He shall perform all other necessary actions and duties in connection with the administration of the financial affairs of the Corporation and shall generally perform all the duties usually appertaining to the office of treasurer of a corporation. When required by the Board, he shall give bonds for the faithful discharge of his duties in such sums and with such sureties as the Board shall approve.

SECTION 4.11. Assistant Treasurer. The Assistant Treasurer of the Corporation shall generally assist the Treasurer and perform such other duties as the Board or the Treasurer shall prescribe, and, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer.

ARTICLE V

CHECKS, DRAFTS, NOTES, AND PROXIES

SECTION 5.01. Checks, Drafts and Notes. All checks, drafts and other orders for the payment of money, notes and other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall be determined, from time to time, by resolution of the Board.

SECTION 5.02. Execution of Proxies. The Chairman or the President, or, in the absence or disability of both of them, any Vice President, may authorize, from time to time, the execution and issuance of proxies to vote shares of stock or other securities of other corporations held of record by the Corporation and the execution of consents to action taken or to be taken by any such corporation. All such proxies and consents, unless otherwise authorized by the Board, shall be signed in the name of the Corporation by the Chairman, the President or any Vice President.

ARTICLE V

SHARES AND TRANSFERS OF SHARES

SECTION 6.01. Certificates Evidencing Shares. Shares shall be evidenced by certificates in such form or forms as shall be approved by the Board. Certificates shall be issued in consecutive order and shall be numbered in the order of their issue, and shall be signed by the Chairman, the President or any Vice President and by the Secretary, any Assistant Secretary, the Treasurer or the Assistant Treasurer. If such a certificate is manually signed by one such officer, any other signature on the certificate may be a facsimile. In the event any such officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office or to be employed by the Corporation before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such officer had held such office on the date of issue.

SECTION 6.02. Stock Ledger. A stock ledger in one or more counterparts shall be kept by the Secretary, in which shall be recorded the name and address of each person, firm or corporation owning the Shares evidenced by each certificate evidencing Shares issued by the Corporation, the number of Shares evidenced by each such certificate, the date of issuance.
thereof and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name Shares stand on the stock ledger of the Corporation shall be deemed the owner and recordholder thereof for all purposes.

SECTION 6.03. Transfers of Shares. Registration of transfers of Shares shall be made only in the stock ledger of the Corporation upon request of the registered holder of such shares, or of his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, and upon the surrender of the certificate or certificates evidencing such Shares properly endorsed or accompanied by a stock power duly executed, together with such proof of the authenticity of signatures as the Corporation may reasonably require.

SECTION 6.04. Addresses of Stockholders. Each Stockholder shall designate to the Secretary an address at which notices of meetings and all other corporate notices may be served or mailed to such Stockholder, and, if any Stockholder shall fail to so designate such an address, corporate notices may be served upon such Stockholder by mail directed to the mailing address, if any, as the same appears in the stock ledger of the Corporation or at the last known mailing address of such Stockholder.

SECTION 6.05. Lost, Destroyed and Mutilated Certificates. Each recordholder of Shares shall promptly notify the Corporation of any loss, destruction or mutilation of any certificate or certificates evidencing any Share or Shares of which he is the recordholder. The Board may, in its discretion, cause the Corporation to issue a new certificate in place of any certificate theretofore issued by it and alleged to have been mutilated, lost, stolen or destroyed, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction, and the Board may, in its discretion, require the recordholder of the Shares evidenced by the lost, stolen or destroyed certificate or his legal representative to give the Corporation a bond sufficient to indemnify the Corporation against any claim made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 6.06. Regulations. The Board may make such other rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates evidencing Shares.

SECTION 6.07. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof, or to express consent to, or to dissent from, corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other such action. A determination of the Stockholders entitled to notice of or to vote at a meeting of Stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned
ARTICLE VII

SEAL I

SECTION 7.01. Seal. The Board may approve and adopt a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation, the year of its incorporation and the words "Corporate Seal Delaware".

ARTICLE VIII

FISCAL YEAR

SECTION 8.01. Fiscal Year. The fiscal year of the Corporation shall end on the thirty-first day of December of each year unless changed by resolution of the Board.

ARTICLE IX

INDEMNIFICATION AND INSURANCE

SECTION 9.01. Indemnification. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not
opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 9.01(a) and (b) of these By-laws, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys’ fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under Section 9.01(a) and (b) of these By-laws (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 9.01(a) and (b) of these By-laws. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders of the Corporation.

(e) Expenses (including attorneys’ fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation pursuant to this Article IX. Such expenses (including attorneys’ fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, other Sections of this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(g) For purposes of this Article IX, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the
request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(h) For purposes of this Article IX, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee or agent with respect to any employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article IX.

(i) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 9.02. Insurance for Indemnification. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Section 145 of the General Corporation Law.

ARTICLE X

AMENDMENTS

SECTION 10.01. Amendments. Any By-law (including these By-laws) may be adopted, amended or repealed by the vote of the recordholders of a majority of the Shares then entitled to vote at an election of Directors or by written consent of Stockholders pursuant to Section 2.09 hereof, or by vote of the Board or by a written consent of Directors pursuant to Section 3.08 hereof.
This schedule contains summary financial information extracted from financial statements for the six month period ended December 31, 1996 and is qualified in its entirety by reference to such financial statements.

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