PRELIMINARY NOTICE OF SPECIAL MEETING AND PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. ___)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement  [ ] Confidential, for Use of the Commission
    Only (as permitted by Rule 14a-6(e)(2))

[] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to Sec 240.14a-11(c) or Sec 240.14a-12

Palatin Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

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

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[_] Fee paid previously with preliminary materials.

[_] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPIES

[LOGO]

PALATIN TECHNOLOGIES, INC.
214 Carnegie Center, Suite 100
Princeton, New Jersey 08540

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 9, 1997

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To the Stockholders of Palatin Technologies, Inc.:
NOTICE IS HEREBY GIVEN that the Special Meeting of Stockholders (the "Meeting") of PALATIN TECHNOLOGIES, INC., a Delaware corporation (the "Company"), will be held at the principal executive offices of the Company, 214 Carnegie Center, Suite 100, Princeton, New Jersey 08540 on June 9, 1997 at 11:00 a.m., local time, for the following purposes:

1. To approve the adoption of the Company's 1996 Stock Option Plan;

2. To approve an amendment to the Company’s Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation") increasing the total number of authorized shares of capital stock from 27,000,000 shares to 85,000,000 shares, of which 75,000,000 shall be Common Stock, $.01 par value per share ("Common Stock") and 10,000,000 shall be Preferred Stock;

3. To approve and authorize the Board of Directors to amend the Company's Certificate of Incorporation to effect a reverse stock split of the Company's Common Stock (any split falling within a range between and including one (1) share of common stock ("New Common Stock") for every two (2) shares of Common Stock outstanding and one (1) share of New Common Stock for every four (4) shares of Common Stock outstanding) depending upon a determination by the Board of Directors that a reverse stock split is in the best interests of the Company and its stockholders; and

4. To transact such other business as may properly come before the Meeting or any postponement or adjournment thereof.

The Board of Directors has fixed the close of business on May 6, 1997 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Meeting or any postponement or adjournment thereof. A complete list of those stockholders will be open to examination by any stockholder, for any purpose germane to the Meeting, during ordinary business hours at the Company's executive offices at 214 Carnegie Center, Suite 100, Princeton, New Jersey 08540 for a period of ten (10) days prior to the Meeting. The stock transfer books of the Company will not be closed.

A copy of the Company's Transition Report on Form 10-KSB for the ten-month period ended June 30, 1996, accompanies this Notice of Special Meeting of Stockholders. You should note that the Company has recently changed its fiscal year-end to June 30.

You are cordially invited to attend the Meeting. Whether or not you expect to attend, you are respectfully requested by the Board of Directors to complete, sign, date and return the enclosed proxy promptly. Stockholders who execute proxies retain the right to revoke them at any time prior to the voting thereof. A return envelope, which requires no postage if mailed in the United States, is enclosed for your convenience.

By the order of the Board of Directors,
John J. McDonough  
Secretary  
Princeton, New Jersey  
May 6, 1997
This proxy statement ("Proxy Statement") and accompanying proxy ("Proxy") is furnished in connection with the solicitation by the Board of Directors (the "Board") of Palatin Technologies, Inc., a Delaware corporation (the "Company"), of Proxies for use at the Special Meeting of Stockholders (the "Meeting") to be held at the principal executive offices of the Company, 214 Carnegie Center, Suite 100, Princeton, New Jersey 08540 on June 9, 1997 at 11:00 a.m., local time, and for any postponement or adjournment thereof, for the purposes set forth in the accompanying Notice of Special Meeting of Stockholders. Any stockholder giving a Proxy has the power to revoke it at any time before it is voted by execution of another proxy at a later date, by written notice of revocation forwarded directly to the Secretary of the Company or by voting in person at the Meeting. Attendance at the Meeting will not have the effect of revoking the Proxy unless the stockholder votes at the Meeting.

The mailing address of the Company's principal executive office is 214 Carnegie Center, Suite 100, Princeton, New Jersey 08540, Telephone No. (609) 520-1911. The approximate date on which this Proxy Statement and the accompanying form of Proxy are first being sent or given to stockholders is May 6, 1997.

The Company has recently changed is fiscal year-end to June 30. All references herein to the past or last fiscal year or fiscal year 1996 relate to the ten-month transition period ended June 30, 1996.

SOLICITATION OF PROXIES

The persons named as proxies are Mr. Edward J. Quilty and Carl Spana, Ph.D., both of whom are presently directors and officers of the Company. Shares of stock represented at the Meeting by the enclosed Proxy will be voted in the manner specified by the stockholder executing the same. Any executed Proxy on which no direction is specified will be voted in favor of the actions described in this Proxy Statement, for: the approval of the Company's 1996 Stock Option Plan (the "Option Plan"), the approval of the amendment to the Company's Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation") increasing the total number of authorized shares of capital stock from 27,000,000 shares to 85,000,000 shares, of which 75,000,000 shares shall be Common Stock, $.01 par value per share ("Common Stock") and 10,000,000 shall be Preferred Stock, $.01 par value per share ("Preferred stock") (the "Authorized Capital Amendment"), the approval and authorization of the Board to amend the Company's Certificate of Incorporation (the "Reverse Split Amendment") to effect a reverse stock split (the "Reverse Stock Split") of the Company's Common Stock, any split falling within a range between and including one (1) share of common stock ("New Common Stock") for every two (2) shares of Common Stock outstanding and one share of New Common Stock for every four (4) shares of Common Stock outstanding, depending upon a determination by the Board that the Reverse Stock Split is in the best interests of the Company and its stockholders, and in the discretion of the proxies on other business which may properly come before the Meeting. The cost of preparing, assembling and mailing the Proxy, this Proxy Statement and other material enclosed herewith will be borne by the Company. In addition to the solicitation of Proxies by the use of the mails, officers and employees of the Company may solicit proxies
by telephone, telegram or other means of communication. The Company will request brokerage houses, banking institutions, and other custodians, nominees and fiduciaries, with respect to shares held of record in their names or in the names of their nominees, to forward the Proxy material to the beneficial owners and will reimburse them for their reasonable expenses in forwarding the Proxy material.

Your vote is important. Accordingly, you are urged to complete, sign, date and return the accompanying Proxy whether or not you plan to attend the Meeting. If you do attend, you may give notice of revocation of your Proxy and vote by ballot at the Meeting.

SHARES OUTSTANDING AND VOTING RIGHTS

Only holders of shares of Common Stock and holders of shares of Series A Convertible Preferred Stock, $.01 par value per share (the "Series A Preferred Stock"), of record at the close of business on May 6, 1997 (the "Record Date") are entitled to vote at the Meeting or any postponement or adjournment thereof. On the Record Date there were issued and outstanding 11,825,855 shares of Common Stock and 106,855 shares of Series A Preferred Stock. Each outstanding share of Common Stock is entitled to one vote and each outstanding share of Series A Preferred Stock is entitled to 74 votes, with the 106,855 shares of Series A Preferred Stock outstanding entitled to approximately 7,915,121 votes in the aggregate, on all matters to be voted on.

Except for voting on the Authorized Capital Amendment, a majority of the votes of shares of Common Stock and Series A Preferred Stock outstanding on the Record Date represented at the Meeting in person or by Proxy constitutes a quorum. For voting on the Authorized Capital Amendment, a majority of the votes of shares of each of Common Stock and Series A Preferred Stock outstanding on the Record Date represented at the Meeting in person or by Proxy constitutes a quorum. Abstentions and broker non-votes will be treated as shares that are present and entitled to vote for the purposes of determining the presence of a quorum.

The affirmative vote of a majority of the votes present in person or by Proxy at the Meeting is required for the approval of the adoption of the Option Plan and the authorization and approval of the Reverse Split Amendment. The affirmative vote of a majority of the votes present in person or by Proxy of each of the Common Stock and Series A Preferred Stock, voting separately, is required for the approval of the Authorized Capital Amendment. Abstentions and broker non-votes will not be deemed affirmative votes, and will have the same effect as a negative vote on proposals for which the affirmative vote of a majority is required, even though the stockholder may interpret such action differently. Proxies received in response to this solicitation will, in the absence of any contrary instructions, be voted in favor of each proposal.

There are no rights of appraisal or similar rights of dissenters with respect to any matter to be acted upon.
The Company, formerly Interfilm, Inc. ("Interfilm"), was incorporated under the laws of the State of Delaware on November 21, 1986. Interfilm consummated an initial public offering on October 28, 1993. On May 10, 1995, the Board of Directors of Interfilm decided to substantially curtail the operations of Interfilm and its subsidiaries. Interfilm conducted no business activities between May 10, 1995 and June 25, 1996.

On June 25, 1996, a newly formed, wholly-owned subsidiary of Interfilm, Interfilm Acquisition Corporation, a New Mexico corporation, merged with and into RhoMed Incorporated ("RhoMed"), a New Mexico corporation, and all of RhoMed’s outstanding equity securities were ultimately exchanged for equity securities of the Company (the "Merger"). 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% of 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 options granted pursuant to RhoMed’s qualified and nonqualified stock option plans, were converted into rights to receive, upon exercise, the Common Stock, in the same proportion in which shares of RhoMed common stock were converted to Common Stock. Because the former stockholders of RhoMed acquired, by reason of the Merger, more than a 50% controlling interest in the Company, the Merger resulted in a change in control of the Company, with the former stockholders of RhoMed acquiring control of the Company.

Effective upon and as a condition of the Merger, the pre-Merger Board of Directors of the Company resigned and was replaced by the Board of Directors of RhoMed, then consisting of Edward J. Quilty, Buck A. Rhodes, Carl Spana and Michael S. Weiss. Buck A. Rhodes resigned as a director effective June 30, 1996. On August 1, 1996, the Board elected James T. O’Brien and Richard J. Murphy as directors of the Company, and on August 28, 1996, the Board elected John K.A. Prendergast as a director of the Company.

PRINCIPAL STOCKHOLDERS

Set forth below is information, as of April 30, 1997, concerning the stock ownership and voting power of all persons (or groups of persons) known by the Company to be the beneficial owner of more than five percent (5%) of the Common Stock, each director of the Company, each of the executive officers included in the Summary Compensation Table and all directors and executive officers of the Company as a group. For the purpose of this Proxy Statement, beneficial ownership is defined in accordance with the rules of the Securities and Exchange Commission (the "Commission") and generally means the power to vote and/or to dispose of the securities regardless of any economic interest therein.
<table>
<thead>
<tr>
<th>NAME AND ADDRESS</th>
<th>AMOUNT AND NATURE</th>
<th>PERCENT OF COMMON STOCK</th>
<th>PERCENT OF VOTING POWER (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward J. Quilty</td>
<td>441,288(3)</td>
<td>3.7%</td>
<td>*</td>
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<tr>
<td>c/o Palatin Technologies, Inc.</td>
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<tr>
<td>214 Carnegie Center, Suite 100</td>
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<td>Princeton, NJ 08540</td>
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<tr>
<td>Carl Spana, Ph.D.</td>
<td>257,860(4)</td>
<td>2.1%</td>
<td>*</td>
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<td>c/o Palatin Technologies, Inc.</td>
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<td>Princeton, NJ 08540</td>
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<tr>
<td>Michael S. Weiss</td>
<td>102,321(5)</td>
<td>*</td>
<td>*</td>
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<tr>
<td>c/o Palatin Technologies, Inc.</td>
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<td>Princeton, NJ 08540</td>
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<tr>
<td>James T. O'Brien</td>
<td>4,266(6)</td>
<td>*</td>
<td>*</td>
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<td>c/o Palatin Technologies, Inc.</td>
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<td>Princeton, NJ 08540</td>
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<tr>
<td>Richard J. Murphy</td>
<td>4,266(6)</td>
<td>*</td>
<td>*</td>
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<td>c/o Palatin Technologies, Inc.</td>
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<td>Princeton, NJ 08540</td>
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<tr>
<td>John K.A. Prendergast, Ph.D.</td>
<td>46,695(7)</td>
<td>*</td>
<td>*</td>
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<td>c/o Palatin Technologies, Inc.</td>
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<tr>
<td>Princeton, NJ 08540</td>
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<tr>
<td>Lindsay A. Rosenwald, M.D.</td>
<td>3,425,761(8)</td>
<td>27.8%</td>
<td>14.9%</td>
</tr>
<tr>
<td>787 Seventh Avenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York, NY 10019</td>
<td></td>
<td></td>
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<tr>
<td>RAQ, LLC</td>
<td>1,657,070(9)</td>
<td>14.0%</td>
<td>8.4%</td>
</tr>
<tr>
<td>c/o Lindsay A. Rosenwald, M.D.</td>
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<tr>
<td>787 Seventh Avenue</td>
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<tr>
<td>New York, NY 10019</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The Aries Fund</td>
<td>1,055,604(10)</td>
<td>8.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>c/o Paramount Capital Asset Management, Inc.</td>
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<tr>
<td>787 Seventh Avenue</td>
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<td></td>
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<tr>
<td>New York, NY 10019</td>
<td></td>
<td></td>
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<tr>
<td>Buck A. Rhodes, Ph.D.</td>
<td>438,538(11)</td>
<td>3.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td>c/o Palatin Technologies, Inc.</td>
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</tr>
<tr>
<td>4261 Balloon Park Road, NE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albuquerque, NM 87109</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
William I. Franzblau 178,585(12) 1.5% *  

The Soho Building  
110 Greene St., Ste. 601  
New York, NY 10012  

All directors and executive officers 1,092,778(13) 8.7% 1.7%  
as a group (eight (8) persons)  

*Less than one percent.

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1. Does not include shares of Common Stock issuable upon exercise of options or warrants not exercisable within 60 days following the date of this Proxy Statement.

2. Unless otherwise specified herein, all share numbers represent shares of Common Stock, without giving effect to the Reverse Stock Split as set forth in Proposal No. 3. The Common Stock has one vote for each share and the Series A Preferred Stock has 74 votes for each share, subject to adjustment upon the occurrence of certain events (see Proposal No. 2). All shares are beneficially owned and sole voting and investment power is held by the persons named, except as otherwise noted. At April 30, 1997, there were 11,825,855 shares of Common Stock outstanding, and 106,855 shares of Series A Preferred Stock outstanding, entitled to approximately 7,915,121 votes in the aggregate. Voting power is calculated on the basis of stock outstanding as of May 6, 1997, the Record Date.

3. Includes (i) 11,980 shares of Common Stock issuable upon exercise of options granted pursuant to RhoMed's 1995 Employee Incentive Stock Option Plan, (ii) 120,000 shares of Common Stock issuable upon exercise of options granted pursuant to the Option Plan (assuming adoption of Proposal No. 1), and (iii) 78,064 shares of Common Stock issuable upon exercise of anti-dilution options granted by the Company, of which options with respect to 210,044 shares of Common Stock are currently exercisable and options with respect to 39,571 shares of Common Stock will become exercisable within 60 days following the date of this Proxy Statement. Does not include (i) 391,009 shares of Common Stock issuable upon exercise of options not exercisable within 60 days following the date of this Proxy Statement and (ii) options to purchase approximately 159,000 shares of Common Stock which the Company is obligated to issue pursuant to Mr. Quilty's employment agreement. (See “Executive Compensation-Employment Agreements”).

4. Includes (i) 197,860 shares of Common Stock issuable upon exercise of options granted pursuant to RhoMed's 1995 Employee Incentive and Non-Qualified Stock Option Plans and (ii) 60,000 shares of Common
Stock issuable upon exercise of options granted pursuant to the Option Plan (assuming adoption of Proposal No. 1). Does not include 98,930 shares of Common Stock issuable upon exercise of options not exercisable within 60 days following the date of this Proxy Statement.

(5) Includes 46,353 shares of Common Stock issuable upon exercise of currently exercisable warrants and 4,266 shares of Common Stock issuable upon exercise of options granted pursuant to the Option Plan (assuming adoption of Proposal No. 1). Does not include 20,000 shares of Common Stock issuable upon exercise of options granted pursuant to the Option Plan not exercisable within 60 days following the date of this Proxy Statement (assuming adoption of Proposal No. 1).

(6) Represents 4,266 shares of Common Stock issuable upon exercise of options granted pursuant to the Option Plan (assuming adoption of Proposal No. 1). Does not include 20,000 shares of Common Stock issuable upon exercise of options granted pursuant to the Option Plan not exercisable within 60 days following the date of this Proxy Statement (assuming adoption of Proposal No. 1).

(7) Does not include 20,000 shares of Common Stock issuable upon exercise of options granted pursuant to the Option Plan not exercisable within 60 days following the date of this Proxy Statement (assuming adoption of Proposal No. 1).

(8) Includes (i) 265,983 shares of Common Stock issuable upon exercise of currently exercisable warrants held by Dr. Rosenwald, (ii) 1,657,070 shares of Common Stock owned by RAQ, LLC, of which Dr. Rosenwald is President, (iii) an aggregate of 1,290,696 shares of Common Stock owned by Aries Domestic Fund, L.P. and The Aries Fund, a Cayman Islands trust ("The Aries Fund"), and (iv) an aggregate of 212,012 shares of Common Stock issuable upon exercise of currently exercisable warrants held by Aries Domestic Fund, L.P. and The Aries Fund. Dr. Rosenwald is the President of Paramount Capital Asset Management, Inc., which is the general partner of Aries Domestic Fund, L.P. and the investment manager of The Aries Fund, and as such may be deemed to be the beneficial owner of such shares, although he disclaims beneficial ownership except to the extent of his pecuniary interest, if any. Does not include (i) any shares of Common Stock owned by employees of Paramount Capital, Inc. ("Paramount") or Paramount Capital Investments, LLC ("Paramount Capital Investments") of which Dr. Rosenwald is the Chairman, (ii) warrants to purchase 25,000 shares of Common Stock which are issuable to Paramount or its designees pursuant to a financial advisory services agreement, or (iii) warrants to purchase securities convertible into approximately 791,518 shares of Common Stock which are issuable to an entity controlled by Dr.
Rosenwald or such entity's designees.

(9) All of the shares of Common Stock owned or issuable upon the exercise of currently exercisable warrants by RAQ, LLC are also included in the beneficial ownership of Lindsay A. Rosenwald, M.D., as explained in note (8) above.

(10) Includes 129,058 shares of Common Stock issuable upon exercise of currently exercisable warrants held by The Aries Fund. All of the shares owned or purchasable by The Aries Fund are also included in the beneficial ownership of Lindsay A. Rosenwald, M.D., as explained in note (8) above.

(11) Includes (i) 23,779 shares of Common Stock issuable upon exercise of currently exercisable options granted pursuant to RhoMed's 1995 Nonqualified Stock Option Plan and (ii) 983 shares owned by Dr. Rhodes' wife. Does not include 23,041 shares of Common Stock issuable upon exercise of options not exercisable within 60 days following the date of this Proxy Statement. Dr. Rhodes resigned as a director of the Company effective June 30, 1996.

(12) Includes (i) 7,600 shares of Common Stock issuable upon exercise of currently exercisable options granted pursuant to Interfilm's 1993 Equity Incentive Plan, (ii) 50,691 shares of Common Stock issuable upon the exercise of currently exercisable warrants, and (iii) 73,733 shares of Common Stock owned by Mr. Franzblau's wife. Pursuant to the Merger, effective June 25, 1996, Mr. Franzblau resigned as an officer and director of Interfilm.

(13) Includes 756,013 shares of Common Stock issuable on exercise of options or warrants, of which 518,582 are currently exercisable and 237,431 will become exercisable within 60 days from the date of this Proxy Statement. 252,798 of the shares of Common Stock are issuable upon exercise of options granted pursuant to the Option Plan (assuming adoption of Proposal No. 1). Does not include 859,173 shares of Common Stock issuable upon exercise of options not exercisable within 60 days following the date of this Proxy Statement, of which 80,000 are issuable upon exercise of options granted pursuant to the Option Plan (assuming adoption of Proposal No. 1).

EXECUTIVE COMPENSATION

The following table sets forth annual and long-term compensation paid to the Company's Chief Executive Officers and Interfilm's former Chief Executive Officer for the last three fiscal years (see note (1) below concerning the change in fiscal year end). Other than Edward J. Quilty, no officer of the Company or Interfilm received salary and bonus totaling over $100,000 during
the ten-month period ended June 30, 1996. With respect to the persons and periods covered in the following table, the Company and Interfilm made no restricted stock awards and had no long-term incentive plan payouts.

### SUMMARY COMPENSATION TABLE

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Salary Year(1) ($</th>
<th>Bonus ($)</th>
<th>Annual Compensation ($)</th>
<th>Options/ SARs (#)(2) ($)</th>
<th>Awards</th>
<th>Payouts</th>
<th>Long Term Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward J. Quilty, Chief Executive Officer(3)</td>
<td>1996 $ 184,794</td>
<td>N/A</td>
<td>$712,297</td>
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<td></td>
<td>1995 N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td></td>
<td>1994 N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Buck A. Rhodes, Chief Executive Officer(4)</td>
<td>1996 $ 52,041</td>
<td>N/A</td>
<td>46,083</td>
<td>$71,523(5)</td>
<td></td>
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<td>1995 $ 60,445</td>
<td>$1,060(6)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td></td>
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<td></td>
<td>1994 $ 60,445</td>
<td>$1,060(6)</td>
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<tr>
<td>William I. Franzblau, Chief Executive Officer(7)</td>
<td>1996 N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>$9,494(8)</td>
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<td>1995 $ 105,000</td>
<td>N/A</td>
<td>0</td>
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<td></td>
<td>1994 $ 160,000</td>
<td>$3,400(9)</td>
<td>0</td>
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</table>

(1) Due to the change in the Company's fiscal year end, fiscal year 1996 covers the ten-month period ended June 30, 1996. Mr. Franzblau's compensation for 1995 and 1994 is reported for the fiscal years ended December 31, 1995 and 1994, Interfilm's former fiscal year end. Mr. Franzblau's compensation for 1996 therefore includes only amounts paid after December 31, 1995.

(2) Underlying security amounts are stated in terms of Common Stock. See the text accompanying the following table, entitled "Option/SAR Grants in the Ten-Month Period Ended June 30, 1996," for specification of the class of those securities at the end of the ten-month period ended June 30, 1996.
(3) Mr. Quilty was employed as Chief Executive Officer of RhoMed beginning on November 16, 1995 and was employed as Chief Executive Officer of the Company beginning on June 25, 1996. The compensation paid and/or issued to Mr. Quilty, as reflected in this table, includes compensation paid and/or issued by both RhoMed and the Company.

(4) Dr. Rhodes was employed as the Chief Executive Officer of RhoMed from January 28, 1986 through November 15, 1995. From November 16, 1995 through March 7, 1996, Dr. Rhodes was President of RhoMed.

(5) Consists of $51,023 in salary accrued from 1990 to 1994 and paid on June 28, 1996, and $20,500 paid to Dr. Rhodes under a two-year, non-cancellable consulting agreement with RhoMed.

(6) Stock bonus, originally issued as RhoMed common stock and shown here as converted to Common Stock, consisting of 279 shares of Common Stock valued at $3.80 per share.

(7) Mr. Franzblau became Chief Executive Officer of Interfilm on August 9, 1995. During 1994 and up to August 9, 1995, he was Chief Operating Officer of Interfilm. He received no annual compensation after October 1995. He resigned as Chief Executive Officer effective upon the consummation of the Merger on June 25, 1996.

(8) In connection with the Merger, Mr. Franzblau received 7,000 shares of Common Stock valued at $9,494 for services rendered to Interfilm, and Class C Warrants to purchase 50,691 shares of Common Stock at an exercise price of $2.17 per share.

(9) 1994 Other Annual Compensation is a contribution made by Interfilm to Mr. Franzblau’s account under Interfilm’s 401(k) Plan.

The following tables sets forth the options and stock appreciation rights ("SARs") granted to the officers named in the Summary Compensation Table in the ten-month period ended June 30, 1996.
OPTION/SAR GRANTS IN THE TEN MONTH PERIOD ENDED JUNE 30, 1996

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Securities Underlying Options/SARs Granted (#)</th>
<th>% of Total Options/SARs</th>
<th>Exercise Price ($/Sh)</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward J. Quilty</td>
<td>431,266(2)</td>
<td>26.0%</td>
<td>$0.05</td>
<td>12/4/05(3)</td>
</tr>
<tr>
<td></td>
<td>281,031(4)</td>
<td>16.9%</td>
<td>$0.05</td>
<td>6/21/06(3)</td>
</tr>
<tr>
<td>Buck A. Rhodes</td>
<td>46,083(5)</td>
<td>2.8%</td>
<td>$1.36</td>
<td>4/16/06(6)</td>
</tr>
<tr>
<td>William I. Franzblau</td>
<td>50,691(7)</td>
<td>3.1%</td>
<td>$2.17</td>
<td>6/24/00</td>
</tr>
</tbody>
</table>

(1) Except as noted below, options and warrants shown in the above table were originally exercisable for shares of RhoMed common stock. As a result of the Merger such options and warrants became exercisable for shares of Common Stock. The number of shares and exercise prices are stated as if the options and warrants had been exercisable for shares of Common Stock at the end of the ten-month period ended June 30, 1996.

(2) Reflects an employee incentive stock option granted pursuant to RhoMed’s employment agreement with Mr. Quilty (see “Employment Agreements”). After the date of grant (December 4, 1995), during the period of Mr. Quilty’s employment with the Company options vest in 36 equal increments on the 16th day of each month.

(3) The expiration date shown is the latest expiration date of the options included in the grant. The option also provides for expiration 90 days after termination of employment.

(4) Reflects options originally granted to Mr. Quilty prior to the Merger as an employee incentive stock option and nonqualified stock option under plans adopted by RhoMed, and subsequent to June 30, 1996, restated by the Company as anti-dilution options pursuant to the employment agreement between the Company and Mr. Quilty. Commencing June 21, 1996, during the period of Mr. Quilty’s employment with the Company options vest in 36 equal increments on
the 16th day of each month.

(5) Reflects a nonqualified stock option granted pursuant to a consulting agreement between Dr. Rhodes and RhoMed. During the period when Dr. Rhodes is serving as a consultant to RhoMed or the Company options will vest in two equal increments on August 1 of each year.

(6) The expiration date shown is the latest expiration date of the options included in this grant. The option also provides for expiration 90 days after termination of consulting services.

(7) Reflects an immediately exercisable Class C Warrant acquired by Mr. Franzblau pursuant to the Merger.

AGGREGATED OPTION/SAR EXERCISES IN TEN-MONTH PERIOD ENDED JUNE 30, 1996 AND FY-END OPTION/SAR VALUES

No options were exercised during the ten-month period ended June 30, 1996. The Company has no outstanding SARs.

<table>
<thead>
<tr>
<th>Name</th>
<th>Securities Underlying Unexercised Options/SARs at Ten-Month Period End (1)</th>
<th>Value of Unexercised Options/SARs at Ten-Month Period End (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exercisable/Unexercisable</td>
<td>Exercisable/Unexercisable</td>
</tr>
<tr>
<td>Edward J. Quilty</td>
<td>83,857/628,440</td>
<td>$415,092/$3,110,777</td>
</tr>
<tr>
<td>Buck A. Rhodes</td>
<td>737/46,083</td>
<td>$3,648/$167,742</td>
</tr>
<tr>
<td>William I. Franzblau</td>
<td>56,391/3,800</td>
<td>$143,456/$0</td>
</tr>
</tbody>
</table>

(1) Except for an option granted to William I. Franzblau for 9,500 shares of Common Stock, all options and warrants shown in the above table were originally exercisable for shares of RhoMed common stock. As a result of the Merger the options and warrants became exercisable for shares of Common Stock. Numbers of shares and values are stated as if the options and warrants had been exercisable for Common Stock at the end of the ten-month period ended June 30, 1996.

(2) Values are based on a last reported sale price for the Common Stock, as reported on the OTC Bulletin Board on June 28, 1996 (the last trading day of the ten-month period ended June 30, 1996) of $5.00 per share.

Compensation of Directors
Pursuant to the Option Plan, which was adopted by the Board subject to stockholder approval, each director of the Company who is not an employee of the Company or of a parent or subsidiary of the Company (a "Non-Employee Director") will be granted, at the first meeting of the Board following each annual meeting of the stockholders of the Company, an option to purchase 10,000 shares of Common Stock at an exercise price per share equal to the fair market value of a share of Common Stock on the date of grant, which options are to vest as to 25% of the option granted in each year starting one year after the date of grant (a "Non-Employee Director's Formula Option"). Any Non-Employee Director who is elected to the Board after August 28, 1996 and before the annual stockholders' meeting in any year will also be granted a Non-Employee Director's Formula Option to purchase a pro rata portion of 10,000 shares equal to the portion of a year (measured in full calendar months) remaining until the next scheduled annual stockholders' meeting. All Non-Employee Directors serving on the date the Board adopted the Option Plan (Richard J. Murphy, James T. O'Brien, John K.A. Prendergast and Michael S. Weiss) were granted initial Non-Employee Director's Formula Options to purchase 20,000 shares of Common Stock at an exercise price of $1.36 per share with the same vesting conditions as Non-Employee Director's Formula Options.

Non-Employee Directors are paid $12,000 per year, plus expenses, for services as a director. The Board agreed that in lieu of $4,000 which was due to each of the Non-Employee Directors as of December, 1996, such directors may be granted a non-incentive stock option pursuant to the Option Plan, subject to stockholder approval of the Option Plan, to purchase 4,266 shares of Common Stock at an exercise price of $1.875 per share, which was the fair market value per share on the date of grant. Such options are immediately exercisable and expire ten (10) years from the date of grant. Mr. Murphy, Mr. O'Brien and Mr. Weiss were each granted such options. The Company paid no compensation to any director for services as a director during the ten-month period ended June 30, 1996. Employee directors are not separately compensated for services as a director, but are reimbursed for expenses incurred in performing their duties as directors, including attending all meetings of the Board and any committees thereof. Service as a director is a condition of Mr. Quilty's employment agreement (see "Employment Agreements" below), but such service is not separately compensated.

In July 1996, the Company paid $36,000 to Dr. Rhodes, a former director of the Company and RhoMed, as severance compensation for resigning from the board of RhoMed effective June 30, 1996. The resignation and severance pay were pursuant to the terms of a consulting agreement, dated March 6, 1996, between RhoMed and Dr. Rhodes.

Employment Agreements

Executive officers of the Company are appointed by the Board and serve at the Board's discretion. Each officer shall hold their position until their
successors are appointed and qualified. Mr. Quilty, Dr. Spana and Mr. Putnam each hold their offices pursuant to employment agreements.

Subsequent to the Merger, the Company adopted, with amendments as required to reflect the Merger, an employment agreement entered into on November 16, 1995 between RhoMed and Edward J. Quilty. Pursuant to this employment agreement, Mr. Quilty is serving as President and Chief Executive Officer of the Company and RhoMed. The initial term of the employment agreement was one (1) year and it is automatically renewed for successive twelve-month periods unless either party gives written notice to the contrary, or unless the employment agreement is otherwise terminated. Mr. Quilty's minimum base salary is $300,000 per year. The Company has agreed to reimburse Mr. Quilty for premiums and other payments to maintain a $1,000,000 term life insurance policy issued in 1992 for the benefit of Mr. Quilty and his designees. Mr. Quilty may also participate in any benefit plans available to other senior executives of the Company, and in any directors' and officers' liability insurance which the Company maintains. Pursuant to the employment agreement, RhoMed issued to Mr. Quilty an option to purchase common stock equal to a 10% fully-diluted equity interest in RhoMed as of November 16, 1995, at an exercise price of $.01 per share, to vest in 36 equal increments monthly during the term of the employment agreement. By operation of the Merger, that option became an option to purchase 431,266 shares of Common Stock at an exercise price of $.05 per share (rounded to the nearest cent), 191,673 shares of Common Stock of which have been acquired by Mr. Quilty to date upon exercise of such option. The employment agreement also provides for anti-dilution protections which, among other things, require the Company to issue additional options with the same exercise price as the original option, so that Mr. Quilty shall, at all times, have options in the aggregate to purchase the number of shares of Common Stock equal to not less than 3.75% of the then outstanding Common Stock on a fully-diluted basis. The Company is currently obligated to issue to Mr. Quilty options to purchase approximately 159,000 shares of Common Stock pursuant to this provision. For a period of five (5) years after the first anniversary of the Company's initial post-Merger public offering, Mr. Quilty has piggy-back registration rights as to all Common Stock which he owns. If the Company terminates the employment agreement for "cause," or if Mr. Quilty terminates the employment agreement without "good reason," then the Company's payment obligation is limited to amounts earned through the termination date, and the option will be exercisable only to the extent vested. If Mr. Quilty elects to terminate the employment agreement following a change in control of the Company, the Company's payment obligation is limited to amounts earned through the termination date, but the option will immediately become exercisable in full. If the Company terminates the employment agreement without cause, or in the event of Mr. Quilty's death or disability, or if Mr. Quilty terminates the employment agreement with good reason, in addition to amounts earned through the termination date, the Company must pay to Mr. Quilty one year of his then current base salary. "Cause," as defined in the employment agreement, consists of fraud, felony conviction, refusal to carry out instructions of the Board of Directors, or governmental disqualification (all as defined in the employment agreement). "Good reason," as defined in the
employment agreement, consists of breach by the Company of its obligations under the employment agreement. The employment agreement also includes non-competition, confidentiality and indemnification covenants.

In December 1996, Mr. Quilty's salary was increased by 7% to $321,000 per year, effective as of November 1996, and in addition, Mr. Quilty was granted an option under the Option Plan to purchase 120,000 shares of Common Stock at an exercise price per share of $1.875, subject to stockholder approval of the Option Plan, in lieu of a proposed cash bonus. The option is immediately exercisable and expires ten (10) years from the date of grant.

Until March 18, 1996, Interfilm had employed William I. Franzblau, former Chief Executive Officer of Interfilm, pursuant to an employment agreement dated October 28, 1993. Interfilm made no payments to Mr. Franzblau under the employment agreement after October 1995, due to Interfilm's financial condition at that time. As of March 18, 1996, Mr. Franzblau and Interfilm entered into a Settlement of Employment Agreement, which replaced the employment agreement. The settlement agreement fixed the amount due to Mr. Franzblau under the employment agreement at $280,200, and provided that payment would be made only out of the proceeds of settlement or judgment in Interfilm's litigation against Sony Corporation of America, a cause of action which Interfilm assigned to an unaffiliated limited liability partnership, pursuant to the Merger. Mr. Franzblau released Interfilm from any further liability under the employment agreement, and continued to serve without pay as Interfilm's Chief Executive Officer until June 25, 1996, the date of the consummation of the Merger. As a condition of the Merger, Mr. Franzblau resigned as a director and officer of Interfilm effective on the closing of the Merger. Pursuant to the Merger, Mr.

Franzblau received (i) shares of RhoMed common stock valued at $9,494 which were converted into 7,000 shares of Common Stock of the Company, and (ii) immediately exercisable Class C Warrants to purchase RhoMed common stock which were converted into warrants to purchase 50,691 shares of Common Stock of the Company at an exercise price of $2.17 per share.

Carl Spana, Ph.D., and Charles Putnam have each entered into employment agreements with the Company, dated September 27, 1996, pursuant to which each is serving as an Executive Vice President of the Company for a three-year period commencing June 21, 1996. The base salary for each is $150,000 per year. Each is entitled to participate in all bonus and benefit programs that the Company establishes, to the extent his position, tenure, salary, age health and other qualifications make him eligible to participate. Each employment agreement allows either the Company or the employee to terminate the employment agreement on thirty (30) days' notice, and contains other provisions for termination by the Company for "cause," or by the employee for "good reason" after a "change in control" (all as such terms are defined in the respective agreements). Early termination may, in some circumstances, result in accelerated vesting of stock options and/or severance pay for a nine-month period at the rate of base salary, cash bonus and benefits then in effect. Each employment agreement contains non-competition and confidentiality
covenants. In June 1996, each of Dr. Spana and Mr. Putnam were granted an option to purchase 296,790 shares of Common Stock at $1.36 per share (rounded to the nearest cent), which options vest as to Mr. Putnam in three equal annual increments during the term of his employment and as to Dr. Spana one-third vested and the remaining two-thirds will vest in two equal annual increments during the term of his employment. In addition, in January 1997, each of Dr. Spana and Mr. Putnam were granted options under the Option Plan, subject to stockholder approval of the Option Plan, to purchase 60,000 shares of Common Stock at an exercise price per share of $2.00. Such options are immediately exercisable and expire ten (10) years from the date of grant.

A table setting forth certain information regarding grants of stock options under the Option Plan is set forth under Proposal No. 1.

PROPOSAL NO. 1
APPROVAL OF THE ADOPTION OF THE COMPANY'S 1996 STOCK OPTION PLAN

The Board, subject to stockholder approval, adopted the Option Plan on August 28, 1996, which was amended by the Board on April 15, 1997 (the "Option Plan"). The following summary description of the Option Plan does not purport to be complete and is qualified in its entirety by reference to the complete text of the Option Plan, a copy of which is attached to this Proxy Statement as Exhibit A.

Purposes. The purposes of the Option Plan are to induce certain employees, consultants and directors to remain in the employ or service, or to continue to serve as directors, of the Company and its present and future subsidiary corporations, to attract new individuals to enter into such employment or service and to encourage such individuals to secure or increase on reasonable terms their stock ownership in the Company. The Board believes that the granting of stock options under the Option Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long range plans of the Company and securing its continued growth and financial success.

Shares Covered by the Option Plan. The Company may grant options (incentive and non-incentive) under the Option Plan to purchase up to 2,000,000 shares of Common Stock (all discussion of shares of Common Stock under this proposal are without giving effect to the Reverse Stock Split). If the Option Plan is not approved by the stockholders, the options (the "Options") already granted under the Option Plan will automatically terminate.

Eligibility. Employees, non-employee directors and consultants of the Company and its subsidiaries to whom the Company grants options are eligible to participate in the Option Plan. At April 30, 1997 four (4) officers, fourteen
(14) other employees of the Company and its subsidiaries, and four (4) Non-
Employee Directors were eligible to participate in the Option Plan. Except as
described under "Compensation of Directors" above, it is not possible to state
at this time whether a particular executive officer, all current executive
officers as a group, a particular nominee for director or all non-executive
officers as a group will be granted Options under the Option Plan or the
benefit or value of such Options, since these matters will be determined by the
Committee based on each participant's level of responsibility, compensation and
conttribution to the Company's success. As of April 30, 1997, the Company had
granted Options to purchase an aggregate of 739,798 shares at exercise prices
ranging from $1.36 to $2.00 per share pursuant to the Option Plan. (For
information on Options granted under the Option Plan, see "Options Granted
Under the Option Plan" below.)

Administration. The Option Plan is administered by a committee appointed
by the Board (the "Committee"), which consists of two or more directors who are
"non-employee directors" within the meaning of Rule 16b-3(b)(3)(i) under the
Exchange Act and "outside directors" within the contemplation of Section
162(m)(4)(C)(i) of the Internal Revenue Code of 1986, as amended (the "Code").
The President of the Company is also an ex-officio member of the Committee,
whether or not he or she is otherwise eligible to be a member of the Committee.
The Committee's functions include determining who will receive Options, setting
the terms of individual Options, granting Options, and interpreting and
carrying out the Option Plan. The Committee is appointed annually by the Board,
which may remove or replace Committee members at any time. If the Board does
not appoint the Committee, the Board will serve as the Committee.

Option Price and Vesting. Options under the Option Plan are exercisable
in accordance with the vesting schedule and at the per share exercise price
which the Committee determines for each Option at the time of grant. The
Company receives no consideration upon granting Options. The final expiration
date of an Option is no later than ten (10) years from the date of grant, and
may be earlier for certain large stockholders and for others in the Committee's
discretion. The basic terms of each Option, including the number of shares
purchasable, the vesting schedule, the price per share, the date of grant and
the date of expiration are stated in the individual stock option certificate
prepared for each Option holder (an "Option Certificate"). Except for under
certain circumstances regarding acquisitions being made by the Company, options
granted pursuant to the Option Plan are to have exercise prices not less than
the fair market value of the Common Stock on the date of grant.

Termination of Option. If an Option holder leaves the employ of the
Company and its subsidiaries or ceases to serve as a consultant and/or as a
Non-Employee Director of the Company or its subsidiaries, whether voluntarily
or otherwise, that Option holder's Options under the Option Plan will terminate

on the earlier of 90 days after the Option holder leaves employment or service,
or the final expiration date of the Option. If an Option holder's employment
or service is terminated for "cause" (as defined below), then that Option
holder's outstanding Options will terminate immediately on termination of employment or service. For purposes of the Option Plan, "cause" means: (i) the commission by an Option holder of any act or omission that would constitute a crime under federal, state or equivalent foreign law, (ii) the commission by an Option holder of any act of moral turpitude, (iii) fraud, dishonesty or other acts or omissions that result in a breach of any fiduciary or other material duty to the Company or its subsidiaries or (iv) continued alcohol or other substance abuse that renders an Option holder incapable of performing his or her material duties to the satisfaction of the Company or its subsidiaries.

An Option holder who takes certain distributions (a "hardship withdrawal") from a 401(k) plan of the Company or its subsidiaries will not be able to exercise any Option for a period of one (1) year after the distribution.

Termination or Amendment of the Option Plan. The Option Plan will terminate on August 27, 2006, but each Option outstanding under the Option Plan at that date will continue to be exercisable according to its terms, until the final expiration date of that Option. The Board has the power to terminate or amend the Option Plan at any time, except that without stockholder approval, the Board may not increase the number of shares as to which Options may be granted under the Option Plan, or change the manner of determining the Option prices, or extend the period during which an Option may be granted or exercised. No termination or amendment of the Option Plan may, without the consent of the Option holder, adversely affect the Option holder's rights under an outstanding Option. No Option under the Option Plan will be exercisable unless and until the Company's stockholders approve the Option Plan.

Tax Effects of Option Plan Participation. Options granted under the Option Plan may be qualified incentive stock options as defined in Section 422(b) of the Code, or may be non-incentive. Each Option Certificate will state whether the Option it represents is qualified or not. Only employees of the Company or its subsidiaries may receive qualified incentive Options. No Option under the Option Plan will be qualified unless the Company's stockholders approve the Option Plan prior to August 28, 1997. The differing tax consequences, under current tax law, of qualified versus Non-incentive Options are described briefly below.

Qualified Options; holding period. Neither the grant nor the exercise of a qualified Option results in compensation income to the employee or a compensation deduction for the Company. If the employee holds the stock issued upon exercise for a holding period of at least two years after the date of grant or one year after the exercise (whichever is longer), then upon subsequent sale of the stock, the employee will recognize as capital gains income (not compensation income) the difference between the sale price and the exercise price. If the employee sells the stock before the prescribed holding period has passed (a "disqualifying disposition"), then the employee will recognize as compensation income the difference between the exercise price and the fair market value of the stock upon exercise. That compensation income will be added to the basis of the Option stock in determining the gain on the disqualifying disposition.

Non-Incentive Options. The grant of a non-incentive Option under the Option Plan does not result in compensation income for the Option holder or a compensation deduction for the Company. The exercise of a non-incentive Option results, pursuant to Section 83(a) of the Code, in the Option holder
recognizing as compensation income the difference between the exercise price and the fair market value of the stock upon exercise. The Company or its subsidiary has a compensation deduction in the same amount. The Company may require the holder of a non-incentive Option to enter into income tax withholding arrangements as a condition of exercising the Option.

The Option Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974.

Options Granted Under the Option Plan. The following table sets forth the Options granted as of April 30, 1997 to each of the executive officers, all current executive officers as a group, and all current directors who are not executive officers as a group, and all employees, including all current officers who are not executive officers, as a group.

<table>
<thead>
<tr>
<th>Name and Position</th>
<th>Options</th>
<th>Exercise Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exercisable/Unexercisable</td>
<td></td>
</tr>
<tr>
<td>Edward J. Quilty, Chief Executive Officer</td>
<td>120,000/0</td>
<td>$1.875</td>
</tr>
<tr>
<td>Current executive officers as a group (4 persons)</td>
<td>240,000/0</td>
<td>$1.875 - $2.00</td>
</tr>
<tr>
<td>Current directors who are not executive officers as a group (4 persons)</td>
<td>12,798/80,000</td>
<td>$1.36 - $1.875</td>
</tr>
<tr>
<td>Carl Spana, Ph.D.</td>
<td>60,000/0</td>
<td>$2.00</td>
</tr>
<tr>
<td>Charles L. Putnam</td>
<td>60,000/0</td>
<td>$2.00</td>
</tr>
<tr>
<td>Richard J. Murphy</td>
<td>4,266/20,000</td>
<td>$1.36 - $1.875</td>
</tr>
<tr>
<td>James T. O’Brien</td>
<td>4,266/20,000</td>
<td>$1.36 - $1.875</td>
</tr>
<tr>
<td>John K.A. Prendergast, Ph.D.</td>
<td>0/20,000</td>
<td>$1.36</td>
</tr>
<tr>
<td>Michael S. Weiss</td>
<td>4,266/20,000</td>
<td>$1.36 - $1.875</td>
</tr>
<tr>
<td>All employees who are not executive officers as a group (6 persons)</td>
<td>247,000/40,000</td>
<td>$1.875 - $2.00</td>
</tr>
</tbody>
</table>
Assuming the Option Plan is approved by the stockholders, there remain 1,260,202 shares of Common Stock available for issuance upon the exercise of options which may be granted pursuant to the Option Plan.

On April 30, 1997, the closing sales price for the Common Stock on the OTC Bulletin Board was $_.___.

THE BOARD RECOMMENDS A VOTE FOR THE ADOPTION OF THE OPTION PLAN. THE AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES PRESENT IN PERSON OR BY PROXY AT THE MEETING IS REQUIRED FOR THE ADOPTION OF THE OPTION PLAN.

PROPOSAL NO. 2
APPROVAL OF AUTHORIZED CAPITAL AMENDMENT
----------------------------------------------

General. On February 14, 1997, the Board authorized, subject to stockholder approval, the Authorized Capital Amendment to the Company's Certificate of Incorporation to increase the total number of shares of capital stock the Company is authorized to issue from 27,000,000 shares, of which 25,000,000 is Common Stock and 2,000,000 is Preferred Stock, to 85,000,000 shares, of which 75,000,000 shall be Common Stock and 10,000,000 shall be Preferred Stock. The complete text of the Authorized Capital Amendment is set forth in Exhibit B to this Proxy Statement.

Purposes of the Authorized Capital Amendment. The Board believes that, in order to meet the Company's funding needs through the time when the Company begins generating revenues from its commercial product sales, if ever, and in order to engage in strategic acquisitions, it is likely that financings generated by issuances and sales of Common Stock, or of other securities convertible into or exchangeable for Common Stock, will be necessary. In addition, the proposed increase in the number of shares of Common Stock and Preferred Stock authorized will accelerate the Company's ability to issue shares of Common Stock or Preferred Stock in excess of the currently authorized number of shares in circumstances determined to be desirable by the Board, such as in connection with equity offerings, business acquisitions, employee benefit plans, strategic alliances or other business opportunities, stock dividends, stock splits and other general corporate purposes. With regard to the increase in authorized Preferred Stock, the Board will have the discretion to authorize any series of Preferred Stock and the terms of the Preferred Stock, including dividend or interest rates, conversion prices, voting rights, redemption prices, maturity dates, and similar matters.

The Company has commenced an offering of units of Series A Preferred Stock, discussed below, pursuant to which the Company is required to increase its number of authorized shares of Common Stock to provide sufficient shares for conversion of the Series A Preferred Stock issued or to be issued in such offering and to have available a sufficient number of shares of Common Stock to meet other option and warrant obligations. The Company has no current plans,
arrangements or understandings regarding the issuance of the additional shares proposed to be authorized, other than as relates to Series A Preferred Stock discussed below and option or warrant obligations.

The Company will not seek further approval from the stockholders for issuance of the additional shares so authorized unless such stockholder approval is otherwise required under applicable law or the rules of any exchange or market on which the Common Stock is then traded. The Board believes that, if the Authorized Capital Amendment is not approved by the Company's stockholders, the Company's ability to raise capital will be restricted and the Company would be adversely affected.

Holders of Common Stock do not have pre-emptive rights. Existing holders of Common Stock and any future issuance of Common Stock will be subject to the rights of holders of outstanding shares of any Preferred Stock which the Company may issue in the future.

Private Placement of Units of Series A Preferred Stock. The Company has commenced an offering of units of Series A Preferred Stock, pursuant to which up to a maximum of 240 units is being offered at a price of $100,000 per unit, with each unit consisting of 1,000 shares of Series A Preferred Stock. As of the Record Date, the Company had sold 106.855 units, representing 106,855 shares of Series A Preferred Stock. Each share of Series A Preferred Stock is convertible, at the option of the holder thereof, into shares of Common Stock, initially at a conversion price (the "Conversion Price") equal to the lesser of (i) $1.35 and (ii) 85% of the average closing bid price of the Common Stock on the OTC Bulletin Board for twenty (20) consecutive trading days immediately preceding (i) the initial closing date of the Series A Preferred Stock offering (the "Initial Closing"), (ii) any interim closing date of the Series A Preferred Stock offering, or (iii) the final closing of the Series A Preferred Stock offering (the "Final Closing"), whichever is lower. The Conversion Price is currently $1.35. The Conversion Price is subject to adjustment depending on the average closing bid price for the twenty (20) consecutive trading days immediately preceding each interim closing date, if any, and the Final Closing date, if any. In addition, the Board has the discretion to set a lower Conversion Price for any closing which shall be applicable to all shares of the Series A Preferred Stock. Furthermore, a reset mechanism provides that the Conversion Price is subject to adjustment on the date which is twelve (12) months after the Final Closing (the "Reset Date") if the average closing bid price of the Common Stock for the thirty (30) consecutive trading days immediately preceding the Reset Date (the "Reset Trading Price") is less than 130% of the then applicable Conversion Price (a "Reset Event"). Upon the occurrence of a Reset Event, the then applicable Conversion Price will be reduced to the greater of (i) the Reset Trading Price divided by 1.3 and (ii) 50% of the then applicable Conversion Price. The Conversion Price is also subject to adjustment, under certain circumstances, upon the sale or issuance of Common Stock for consideration per share less than either (i) the Conversion Price in effect on the date of sale or issuance, or (ii) the market price of the Common Stock as of the date of the sale or issuance. Upon the occurrence
of a merger, reorganization, consolidation, reclassification, stock dividend or stock split which will result in an increase or decrease in the number of shares of Common Stock outstanding the Conversion Price is subject to adjustment.

The Series A Preferred Stock may be mandatorily converted by the Company, if, commencing twelve (12) months after the Final Closing, the closing bid price of the Common Stock has exceeded 200% of the then applicable Conversion Price for at least twenty (20) trading days in any thirty (30) consecutive trading day period ending three (3) days prior to the date of conversion.

Based upon the current Conversion Price of $1.35, and assuming that the maximum amount of the offering is subscribed, the 240,000 shares of Series A Preferred Stock would be convertible into approximately 17,777,777 shares of Common Stock. The Company is currently authorized to issue 25,000,000 shares of Common Stock. Of this amount, 11,825,855 shares have been issued, and the following number of shares of Common Stock are reserved for issuance: 1,748,336 shares upon exercise of issued and outstanding warrants and approximately 2,139,000 shares pursuant to agreements and stock option plans other than the Option Plan. An additional 2,000,000 shares of Common Stock under the Option Plan will be reserved if Proposal No. 1 described above is approved of which options to acquire 739,798 shares of Common Stock of the Company have been granted. As a result of the foregoing, the remaining shares of Common Stock authorized and available for issuance would be insufficient for the conversion of issued and outstanding Series A Preferred Stock, based upon the current Conversion Rate of $1.35.

In the event that the Company does not, within 270 days following the Final Closing of the Series A Preferred Stock offering, increase its authorized capital to at least that number of shares of Common Stock necessary for issuance upon exercise of all Series A Preferred Stock sold in the offering, the Company has agreed that the holders of Series A Preferred Stock shall be entitled, at the option of each holder, to require the Company to repurchase the shares of Series A Preferred Stock then held by such holder at $100.00 per share of Series A Preferred Stock. Additionally, in the event that on the date that a holder of Series A Preferred Stock elects to convert such holder’s shares of Series A Preferred Stock the Company has not authorized and reserved a sufficient number of shares of Common Stock to permit such conversion in full, the holder will be entitled upon conversion to receive the fair market value per share of Common Stock on account of the shares which would have been issuable to the holder upon conversion but which the Company was unable to issue due to the lack of authorized and reserved shares of Common Stock. The fair market value per share of Common Stock shall be paid in cash, or, if the Company does not have sufficient cash, then with secured demand notes, the fair market value shall mean the closing bid price per share of the Common Stock as quoted on the OTC Bulletin Board for the trading day immediately preceding the conversion.

Series A Preferred Stock has a preference over Common Stock as to
dividends and distributions. The Company does not intend to pay cash dividends on the Series A Preferred Stock or Common Stock for the foreseeable future. Holders of Series A Preferred Stock vote on an "as if" converted basis with Common Stock as a single class (unless separate class voting is required by law), except that approval of holders of two-thirds of the Series A Preferred Stock then outstanding is required to approve (i) any alteration in the Company's charter documents or by-laws that would adversely affect the relative rights, preferences, qualifications, limitations or restrictions of the Series A Preferred Stock, (ii) the declaration or payment of any dividend on any other securities or the repurchase of any securities of the Company other than the Series A Preferred Stock, and (iii) the authorization or issuance, or increase of the authorized amount of, any security ranking prior to the Series A Preferred Stock as to liquidation, payment of dividends or distributions or voting rights.

The net proceeds to the Company from the sale of units of Series A Preferred Stock sold as of April 30, 1997 were approximately $9,083,000, after deducting commission and other expenses of the Series A Preferred Stock offering. In case the maximum offering is sold, the net proceeds to the Company are estimated to be approximately $21,400,000, after deducting the commission and other anticipated expenses of the Series A Preferred Stock offering. The Company intends to use the proceeds to fund planned capital expenditures and for working capital purposes, including MIDAS metallopeptide technology development, radiolabeling product development and general and administrative expenses. The Company may also use a portion of the net proceeds for the acquisition of businesses, products and technologies that are complementary to those of the Company, although no portion of the net proceeds has been allocated for any specific acquisition.

The placement agent for this offering is an entity which is controlled by a substantial stockholder of the Company, of which Mr. Weiss is a Vice President and Senior Managing Director and of which Dr. Prendergast is a managing director of an affiliated entity (the "Placement Agent"). The Placement Agent will receive a 9% commission and a 4% non-accountable expense allowance on the gross proceeds of the offering, which will equal approximately $3,200,000 if all the units of Series A Preferred Stock are sold and warrants to purchase 10% of the total amount of the units of Series A Preferred Stock sold, in the offering, at an exercise price of 110% of the Offering Price. As of April 30, 1997, the Company had paid the Placement Agent approximately $1,389,115 as commission and fees and is currently obligated to issue warrants to purchase shares of Series A Preferred Stock currently convertible into approximately 791,518 shares of Common Stock, at an effective exercise price per share of $1.485. The warrants will be exercisable for five (5) years commencing six (6) months following the Final Closing.

The units of Series A Preferred Stock are being offered in a private placement to "accredited investors" as defined in Rule 501 promulgated under the Securities Act of 1933, as amended ("Securities Act"). The units of Series
A Preferred Stock are being offered in accordance with Section 4(2) of the Securities Act and Regulation D promulgated thereunder. The securities offered in the Series A Preferred Stock offering have not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The Company has agreed to undertake, no later than sixty (60) days following the Final Closing of the Series A Preferred Stock offering, to file a registration statement under the Securities Act to permit resales of the Common Stock issuable upon conversion of the Series A Preferred Stock, including the Placement Agent’s warrants.

The Board believes that the capital sought from the Series A Preferred Stock offering is necessary to meet the Company’s current funding needs. If the increase in the total number of shares of capital stock is not approved, and if the Company is required to repurchase shares of Series A Preferred Stock, or upon conversion of the Series A Preferred Stock to pay the fair market value per share of Common Stock that would have been obtainable, the Board believes that the Company would be adversely affected.

Effect of Increasing the Authorized Number of Shares of Capital Stock. Upon conversion of the Series A Preferred Stock, holders of Common Stock will suffer potential dilution based upon the difference between the fair market value of the Common Stock and the Conversion Price. In addition, the future issuance of additional shares of Common Stock or Preferred Stock may dilute the existing stockholders’ percentage ownership and may have a potential anti-takeover effect by enhancing the ability of the Company to issue additional shares which could be used to dilute the stock ownership of stockholders seeking to control the Company. The Board is not aware of any present efforts by any persons to accumulate Common Stock or Series A Preferred Stock to obtain control of the Company and the increase in the authorized number of shares of Common Stock and Preferred Stock is not intended to be an anti-takeover device. The Board cannot predict what effect the increase in the authorized number of shares of Common Stock and Preferred Stock will have on the market price of the Common Stock.


PROPOSAL NO. 3
APPROVAL OF RESERVE SPLIT AMENDMENT

General. On April 15, 1997, the Board authorized, subject to stockholder approval, the Reverse Split Amendment to the Company’s Certificate of Incorporation granting the Board the discretion to effect the Reverse Stock
Split (any split falling within a range between one (1) share of New Common Stock for every two (2) shares of Common Stock (1 for 2) and one (1) share of New Common Stock for every four (4) shares of Common Stock (1 for 4)).

If approved by the stockholders at the Meeting, the Reverse Stock Split will be effected only upon a determination by the Board that the Reverse Stock Split is in the best interests of the Company and its stockholders. In connection with any determination by the Board to such effect, the Board will in its discretion select the ratio (“Split Ratio”) for the Reverse Stock Split which will fall within a range between and including a one-for-two and one-for-four which, in the Board’s judgment, would result in the greatest marketability and liquidity of the Common Stock, based upon prevailing market conditions, on the likely effect on the market price of the Common Stock and other relevant factors.

If approved by the stockholders, the Reverse Stock Split would become effective upon filing the Reverse Split Amendment with the Delaware Secretary of State on any date selected by the Board on or prior to December 31, 1997 (the “Effective Date”). If no Reverse Stock Split is effected by the Effective Date, the Board will take action to abandon the Reverse Stock Split pursuant to Section 242(c) of the Delaware General Corporation Law.

The complete text of the Reverse Split Amendment is set forth in Exhibit C to this Proxy Statement.

Purposes of the Reverse Split Amendment. The Reverse Stock Split would decrease the number of shares of Common Stock outstanding and presumably increase the per share market price for the New Common Stock.

The Board believes that the relatively low market price per share of the Common Stock may impair the marketability of the Common Stock to institutional investors and members of the investing public. The Common Stock is currently traded on the OTC Bulletin Board under the symbol "PLTN." Between August 1, 1996 and April 30, 1997, the high and low sales prices for the Common Stock has ranged from a low of $[1 1/2] to a high of $3 per share. On April 30, 1997, the closing sales price was $____ per share. (Such quotations reflect inter-dealer prices or transactions solely between market makers without retail mark-up, mark-down or commissions, and may not necessarily represent actual transactions.) Many investors look upon low-priced stocks as speculative in nature and, as a matter of policy, avoid investment in such stocks. These factors may not only affect the liquidity of the Common Stock, but may also impair the Company’s ability to raise additional capital through the sale of equity or debt securities. The Board also recognizes that many leading brokerage firms are reluctant to recommend lower-priced securities to their clients, and certain brokerage house policies and practices currently tend to discourage individual brokers within firms from dealing in lower-priced stocks. Some of these policies and practices relate to the payment of brokers’ commissions and time-consuming procedures that make the handling of lower priced stocks economically unattractive to brokers. In addition, as a result of the Common Stock being traded on the OTC Bulletin Board, (i) investors find
it difficult to obtain accurate quotations as to the price of the Common Stock, (ii) there is reduced news media coverage of the Company, and (iii) there is a lack of investment analyst interest in covering the Company.

The principal reasons for the Reverse Stock Split are to stimulate interest in the Company's Common Stock, promote greater liquidity for the Company’s stockholders and have the Company be in a position to apply to have its New Common Stock listed on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market(R) or NASDAQ Small Cap Market(SM) or on a national or regional stock exchange, should it desire to do so and should the Company meet the additional qualitative and quantitative requirements for listing. The bid price is one of the criteria for eligibility to have a company's securities listed on the NASDAQ. Currently, the Company does not meet the bid and/or certain other criteria for entry onto either the NASDAQ National Market or NASDAQ SmallCap Market; if currently proposed rule changes contemplated by NASDAQ are adopted, the bid criterion among others, may be even greater for listing on the NASDAQ National Market and NASDAQ Small Cap Market, respectively. Such proposals have not been finalized and the Company cannot speculate whether the proposals will be adopted, or if so, when they will become effective.

There can be no assurance that the Reverse Stock Split will achieve the desired results, that the price per share of New Common Stock will increase proportionately with the decrease in the number of shares, or that any price increase can be sustained for a prolonged period of time. There also can be no assurance that the Company will be able to meet the listing requirements of the NASDAQ National Market, the NASDAQ SmallCap Market, or any national or regional stock exchange, or if listed, maintain the listing requirements.

Effects of the Reverse Stock Split. The following table shows the effect of the Reverse Stock Split, as of April 30, 1997, at the minimum Split Ratio (one-for-two) and at the maximum Split Ratio (one-for-four). (This table is not exhaustive of all possible Reverse Stock Splits that fall within the Board-approved range and is only intended for illustrative purposes):
The number of shares of Common Stock issuable upon exercise or conversion of all outstanding options, warrants, rights, and convertible securities would be reduced by a factor equal to the Split Ratio, automatically, on the Effective Date. The Reverse Stock Split would also increase the exercise price of such options and warrants by a factor of from two to four, depending on the Split Ratio. The Reverse Stock Split would not affect any stockholder’s proportionate equity interest in the Company except for those stockholders who would receive cash in lieu of fractional shares. None of the rights currently accruing to holders of Common Stock, or options or warrants to purchase Common Stock, will be affected by the Reverse Stock Split. The additional authorized, unissued and unreserved shares of Common Stock would be available for issuance from time to time, as discussed in Proposal No. 2.

The Reverse Stock Split would have no effect on the number of authorized shares of Common Stock or Preferred Stock or the par value of the stock. The shares of New Common Stock will be fully paid and non-assessable. The voting and other rights that currently characterize the Common Stock will not be changed by the Reverse Stock Split. The Reverse Stock Split will not result in any change in the business, management, assets, liabilities or net worth of the Company.

The Reverse Stock Split will result in some stockholders holding odd lots
of the New Common Stock (blocks of less than 100 shares). Because broker/dealers typically charge a higher commission to complete trades in odd lots of securities, the transaction costs may increase for those stockholders who will hold odd lots after the Reverse Stock Split.

The Reverse Stock Split may be abandoned by the Board at any time before, during or after the Meeting and prior to the Effective Date. If the Reverse Stock Split is effected, it will be effected on or prior to December 31, 1997.

The Board may make any and all changes to the Reverse Split Amendment that it deems necessary in order to file the Reverse Stock Split with the Delaware Secretary of State and give effect to the Reverse Stock Split.

Mechanics of the Reverse Stock Split. The Reverse Stock Split will become effective upon filing of the Reverse Split Amendment with the Delaware Secretary of State.

As soon as practicable after the Effective Date, the Company will forward a letter of transmittal to each holder of record of shares of Common Stock outstanding as of the Effective Date. The letter of transmittal will set forth instructions for the surrender of certificates representing shares of Common Stock to the Company or the Company’s transfer agent in exchange for certificates representing the number of whole shares of New Common Stock into which the shares of Common Stock have been converted as a result of the Reverse Stock Split. CERTIFICATES SHOULD NOT BE SENT TO THE COMPANY OR THE TRANSFER AGENT PRIOR TO RECEIPT OF SUCH LETTER OF TRANSMITTAL FROM THE COMPANY.

Until a stockholder forwards a completed letter of transmittal together with certificates representing its shares of Common Stock to the transfer agent and receives a certificate representing shares of New Common Stock, such stockholder’s Common Stock shall be deemed equal to the number of whole shares of New Common Stock to which such stockholder is entitled as a result of the Reverse Stock Split.

No scrip or fractional certificates will be issued in the Reverse Stock Split. Holders of a number of shares of Common Stock not convertible into a whole number of shares of New Common Stock will receive, in lieu of fractional shares, the cash value of fractions of a share determined by the average closing price of the Common Stock for the five (5) trading days immediately preceding the Effective Date multiplied by such fractional interest. Upon surrender of stock certificates to the transfer agent, a certificate representing the share of New Common Stock will be issued, together with cash for any fractional interest, and forwarded to the stockholder. The ownership of a fractional interest of a share will not give the holder thereof any voting, dividend or other rights except the right to receive payment therefore as described herein.

Certain Federal Income Tax Consequences. The following is a summary of
the material anticipated Federal income tax consequences of the Reverse Stock Split to stockholders of the Company. This summary is based on the Federal income tax laws as now in effect and as currently interpreted; it does not take into account possible changes in such tax laws or interpretations, including amendments to applicable statutes, regulations and proposed regulations or changes in judicial or administrative rulings, some of which may have retroactive effect. This summary does not purport to address all aspects of the possible Federal income tax consequences of the Reverse Stock Split and is not intended as tax advice to any person. In particular, and without limiting the foregoing, this summary does not consider the Federal income tax consequences to stockholders of the Company in light of their individual investment circumstances or to holders subject to special treatment under the Federal income tax laws (for example, life insurance companies, financial institutions, tax-exempt organizations, regulated investment companies and foreign taxpayers).

The summary does not address any consequence of the Reverse Stock Split under any state, local or foreign tax laws.

No ruling will be obtained from the Internal Revenue Service regarding the Federal income tax consequences to the stockholders of the Company as a result of the Reverse Stock Split. ACCORDINGLY, EACH STOCKHOLDER IS ENCOURAGED TO CONSULT THE STOCKHOLDER’S TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PROPOSED TRANSACTION TO SUCH STOCKHOLDER, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.

The Reverse Stock Split is intended to qualify as a "recapitalization" as described in Section 368(a)(1) of the Code. Consequently, no gain or loss should be recognized by the Company and, except to the extent of the cash received for any fractional share, no gain or loss should be recognized by stockholders who exchange their shares in connection with the Reverse Stock Split. With reference to exchanging stockholders, the aggregate basis of the shares of New Common Stock received (excluding any fractional share for which cash is received) will be the same as the aggregate basis of Common Stock surrendered in exchange therefor. Similarly, the holding period for New Common Stock received as a result of the Reverse Stock Split will include the holding period of the shares of Common Stock surrendered in exchange thereof.

THE BOARD RECOMMENDS A VOTE FOR THE REVERSE SPLIT AMENDMENT. THE AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES PRESENT IN PERSON OR BY PROXY AT THE MEETING IS REQUIRED FOR APPROVAL OF THE REVERSE SPLIT AMENDMENT.

OTHER MATTERS

The Board is not aware of any matters not set forth herein that may come before the Meeting. If, however, further business properly comes before the Meeting, the persons named in the proxies will vote the shares represented thereby in accordance with their judgment.
STOCKHOLDER PROPOSALS FOR 1997 ANNUAL MEETING

Stockholders may submit proposals on matters appropriate for stockholder action at annual meetings in accordance with regulations adopted by the Commission. To be considered for inclusion in the proxy statement and form of proxy relating to the 1997 annual meeting of stockholders, such proposals must be received by the Company at the Company's principal executive offices not later than June 30, 1997. Proposals should be directed to the attention of the Secretary of the Company.

INCORPORATION OF INFORMATION BY REFERENCE TO TRANSITION REPORT ON FORM 10-KSB

The Company's transition report on Form 10-KSB for the transition period from September 1, 1995 to June 30, 1996, including the financial statements and schedules thereto, but excluding exhibits, is being sent concurrently herewith without charge to each person whose proxy is being solicited. The following information contained in the Form 10-KSB is incorporated into this Proxy Statement by reference: Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operation; Financial Statements, including the notes thereto and the report of Arthur Andersen dated July 31, 1996; and Item 8, Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. The Company expects that a representative of Arthur Andersen LLP will attend the Meeting. Such representative will have an opportunity to make a statement, if he or she desires, and will be available to respond to appropriate questions of stockholders, if any.

Your cooperation in giving this matter your immediate attention and returning your Proxy is appreciated.

By order of the Board of Directors,

John J. McDonough
Secretary

May 6, 1997

EXHIBIT A

1996 STOCK OPTION PLAN
1. Purpose.

The purposes of the 1996 Stock Option Plan (the "Plan") are to induce certain employees, consultants and directors to remain in the employ or service, or to continue to serve as directors, of Palatin Technologies, Inc. (the "Company") and its present and future subsidiary corporations (each a "Subsidiary"), as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to attract new individuals to enter into such employment or service and to encourage such individuals to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the "Board") believes that the granting of stock options (the "Options") under the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long range plans of the Company and securing its continued growth and financial success. Options granted hereunder are intended to be either (a) "incentive stock options" (which term, when used herein, shall have the meaning ascribed thereto by the provisions of Section 422(b) of the Code) or (b) options which are not incentive stock options ("non-incentive stock options") or (c) a combination thereof, as determined by the Committee (the "Committee") referred to in Section 4 hereof at the time of the grant thereof.

2. Effective Date of the Plan.

The Plan became effective on August 28, 1996, by action of the Board, subject to ratification by stockholders of the Company.

3. Stock Subject to Plan.

2,000,000 of the authorized but unissued shares of the Common Stock, $0.01 par value, of the Company (the "Common Stock") are hereby reserved for issue upon the exercise of Options granted under the Plan; provided, however, that the number of shares so reserved may from time to time be reduced to the extent that a corresponding number of issued and outstanding shares of the Common Stock are purchased by the Company and set aside for issue upon the exercise of Options. If any Options expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purposes of the Plan.

4. Committee.

The Committee shall consist of two or more members of the Board both or all of whom shall be "non-employee directors" within the meaning of Rule 16b-3(b)(3)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and "outside directors" within the contemplation of
Section 162(m)(4)(C)(i) of the Code. The President of the Company shall also be a member of the Committee, ex-officio, whether or not he or she is otherwise eligible to be a member of the Committee. The Committee shall be appointed annually by the Board, which may at any time and from time to time remove any members of the Committee, with or without cause, appoint additional members to the Committee and fill vacancies, however caused, in the Committee. In the event that no Committee shall have been appointed, the Board shall serve as the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members present at a meeting duly called and held. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

5. Administration.

Subject to the express provisions of the Plan, the Committee shall have complete authority, in its discretion, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective option agreements or certificates (which need not be identical), to determine the individuals (each a "Participant") to whom and the times and the prices at which Options shall be granted, the periods during which each Option shall be exercisable, the number of shares of the Common Stock to be subject to each Option and whether such Option shall be an incentive stock option or a non-incentive stock option and to make all other determinations necessary or advisable for the administration of the Plan. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees and consultants, their present and potential contributions to the success of the Company and the Subsidiaries and such other factors as the Committee in its discretion shall deem relevant. The Committee's determination on the matters referred to in this Section 5 shall be conclusive. Any dispute or disagreement which may arise under or as a result of or with respect to any Option shall be determined by the Committee, in its sole discretion, and any interpretations by the Committee of the terms of any Option shall be final, binding and conclusive.

6. Eligibility.

A. An Option may be granted only to (i) an employee or consultant of the Company or a Subsidiary, (ii) a director of the Company who is not employed by the Company or any of the Subsidiaries (a "Non-Employee Director") and (iii) employees of a corporation or other business enterprise which has been acquired by the Company or a Subsidiary, whether by exchange or purchase of stock, purchase of assets, merger or reverse merger or otherwise, who hold options with respect to the stock of such corporation which the Company has agreed to assume or for which the Company has agreed to provide substitute options.
B. (i) On August 28, 1996, each Non-Employee Director shall be granted an Option (a "Non-Employee Director’s Formula Option") to purchase 20,000 shares of the Common Stock at the initial per share option price equal to the fair market value of a share of the Common Stock on the date of grant.

(ii) At the first meeting of the Board immediately following the annual meeting of the Stockholders of the Company held in 1997, and at the first meeting of the Board immediately following each subsequent annual meeting of the Stockholders of the Company, each Non-Employee Director shall be granted an Option (a "Non-Employee Director’s Formula Option") to purchase 10,000 shares of the Common Stock at the initial per share option price equal to the fair market value of a share of the Common Stock on the date of grant.

(iii) Each Non-Employee Director who becomes a director subsequent to the adoption date of the Plan, and prior to the date of any annual meeting of the Shareholders of the Company, shall be granted, on the date he or she becomes a director, an Option (a "Non-Employee Director’s Formula Option") to purchase the number of shares of the Common Stock equal to the product of (i) 10,000 and (ii) a fraction, the numerator of which is the number of full calendar months prior to the next scheduled annual meeting of Shareholders and the denominator of which is 12, at the initial per share option price equal to the fair market value of a share of the Common Stock on the date of grant.

(iv) A Non-Employee Director may not exercise a Non-Employee Director’s Formula Option during the period commencing on the date of the granting of such Option to him or her and ending on the day next preceding the first anniversary of such date. A Non-Employee Director may (i) during the period commencing on the first anniversary of the date of the granting of a Non-Employee Director’s Formula Option to him or her and ending on the day next preceding the second anniversary of such date, exercise such Option with respect to one-fourth of the shares granted thereby, (ii) during the period commencing on such second anniversary and ending on the day next preceding the third anniversary of the date of the granting of such Option, exercise such Option with respect to one-half of the shares granted thereby, (iii) during the period commencing on such third anniversary and ending on the date next preceding the fourth anniversary of the date of the granting of such Option, exercise such Option with respect to three-fourths of the shares granted thereby and (iv) during the period commencing on such fourth anniversary and ending on the date of the expiration of such Option, exercise such Option with respect to all of the shares granted thereby.

7. Option Prices.

A. Except as otherwise provided in Section 17, the initial per share option price of any Option shall be the price determined by the Committee, but not less than the fair market value of a share of the Common Stock on the date of grant; provided, however, that, in the case of a Participant who owns (within the meaning of Section 424(d) of the Code) more than 10% of the total
combined voting power of the Common Stock at the time an Option which is an incentive stock option is granted to him or her, the initial per share option price shall not be less than 110% of the fair market value of a share of the Common Stock on the date of grant.

B. For all purposes of the Plan, the fair market value of a share of the Common Stock on any date shall be determined by the Committee as follows:

(i) If the Common Stock is listed on the OTC Electronic Bulletin Board, its fair market value shall be the closing selling price on such date for the Common Stock as reported on the OTC Electronic Bulletin Board. If there are no sales of the Common Stock on that date, then the reported closing selling price for the Common Stock on the next preceding date for which such closing selling price is quoted shall be determinative of fair market value; or,

(ii) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation, the Nasdaq National Market System or the Nasdaq SmallCap Market System, its fair market value shall be the reported closing selling price for the Common Stock on the principal securities exchange or national market system on which the Common Stock is at such date listed for trading. If there are no sales of Common Stock on that date, then the reported closing selling price for the Common Stock on the next preceding day for which such closing selling price is quoted shall be determinative of fair market value; or,

(iii) If the Common Stock is not traded on the OTC Electronic Bulletin Board, an exchange, or a national market system, its fair market value shall be determined in good faith by the Committee, and such determination shall be conclusive and binding on all persons.

8. Option Term.

Participants shall be granted Options for such term as the Committee shall determine, not in excess of ten years from the date of the granting thereof; provided, however, that, except as otherwise provided in Section 17, in the case of a Participant who owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of the Common Stock of the Company at the time an Option which is an incentive stock option is granted to him or her, the term with respect to such Option shall not be in excess of five years from the date of the granting thereof; provided, further, however, that the term of each Non-Employee Director’s Formula Option shall be ten years from the date of the granting thereof.


A. Except as otherwise provided in Section 17, the aggregate fair market value of the shares of the Common Stock for which any Participant may be
granted incentive stock options which are exercisable for the first time in any calendar year (whether under the terms of the Plan or any other stock option plan of the Company) shall not exceed $100,000.

B. Except as otherwise provided in Section 17, no Participant shall, during any fiscal year of the Company, be granted Options to purchase more than 500,000 shares of the Common Stock.

10. Exercise of Options.
   A. Except as otherwise provided in Section 17 and except as otherwise determined by the Committee at the time of the grant of an Option other than a Non-Employee Director's Formula Option, a Participant may not exercise an Option during the period commencing on the date of the granting of such Option to him or her and ending on the day next preceding the first anniversary of such date. Except as otherwise set forth in Sections 9A and 17 and in the preceding sentence, a Participant may (i) during the period commencing on the first anniversary of the date of the granting of an Option to him or her and ending on the day next preceding the second anniversary of such date, exercise such Option with respect to one-fourth of the shares granted thereby, (ii) during the period commencing on such second anniversary and ending on the day next preceding the third anniversary of the date of the granting of such Option, exercise such Option with respect to one-half of the shares granted thereby, (iii) during the period commencing on such third anniversary and ending on the date next preceding the fourth anniversary of the date of the granting of such Option, exercise such Option with respect to three-fourths of the shares granted thereby and (iv) during the period commencing on such fourth anniversary and ending on the date of the expiration of such Option, exercise such Option with respect to all of the shares granted thereby.

   B. Except as hereinbefore otherwise set forth, an Option may be exercised either in whole at any time or in part from time to time.

   C. An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specific number of shares of the Common Stock and payment to the Company of the amount of the option price for the number of shares of the Common Stock so specified.

   D. Except in the case of a Non-Employee Director's Formula Option, the Board may, in its discretion, permit any Option to be exercised, in whole or in part, prior to the time when it would otherwise be exercisable.

   E. Notwithstanding any other provision of the Plan to the contrary, including, but not limited to, the provisions of Section 10D, if any Participant shall have effected a "Hardship Withdrawal" from a "401(k) Plan" maintained by the Company and/or one or more of the Subsidiaries, then, during the period of one year commencing on the date of such Hardship Withdrawal, such Participant may not exercise any Option. For the purpose of this
paragraph E, a Hardship Withdrawal shall mean a distribution to a Participant provided for in Reg. Sec. 1.401(k)-1(d)(1)(ii) promulgated under Section 401(k)(2)(B)(i)(iv) of the Code and a 401(k) Plan shall mean a plan which is a "qualified plan" within the contemplation of section 401(a) of the Code which contains a "qualified cash or deferred arrangement" within the contemplation of section 401(k)(2) of the Code.

11. Transferability.

No Option shall be assignable or transferable except by will and/or by the laws of descent and distribution and, during the life of any Participant, each Option granted to him or her may be exercised only by him or her.

12. Termination of Employment.

A. In the event a Participant leaves the employ of the Company and the Subsidiaries or ceases to serve as a consultant to the Company and/or as a Non-Employee Director of the Company, whether voluntarily or otherwise, each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been canceled shall, to the extent not theretofore exercised, terminate upon the earlier to occur of the expiration of 90 days after the date of such Participant's termination of employment or service and the date of termination specified in such Option. Notwithstanding the foregoing, if a Participant's employment by the Company and the Subsidiaries or service as a consultant and/or as a Non-Employee Director of the Company is terminated for "cause" (as defined herein), each Option theretofore granted to him or her which shall not have theretofore expired or otherwise been cancelled shall, to the extent not theretofore exercised, terminate forthwith.

B. For purposes of the foregoing, the term "cause" shall mean: (i) the commission by a Participant of any act or omission that would constitute a crime under federal, state or equivalent foreign law, (ii) the commission by a Participant of any act of moral turpitude, (iii) fraud, dishonesty or other acts or omissions that result in a breach of any fiduciary or other material duty to the Company and/or the Subsidiaries or (iv) continued alcohol or other substance abuse that renders a Participant incapable of performing his or her material duties to the satisfaction of the Company and/or the Subsidiaries.

13. Adjustment of Number of Shares.

A. In the event that a dividend shall be declared upon the Common Stock payable in shares of the Common Stock, the number of shares of the Common Stock then subject to any Option and the number of shares of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and the number of shares set forth in Sections 6B and 9B shall be adjusted by adding to each share the number of shares which would
be distributable thereon if such shares had been outstanding on the date fixed for determining the stockholders entitled to receive such stock dividend. In the event that the outstanding shares of the Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, sale of assets, merger or consolidation in which the Company is the surviving corporation, then, there shall be substituted for each share of the Common Stock then subject to any Option and for each share of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and for each share of the Common Stock referred to in Sections 6B and 9B, the number and kind of shares of stock or other securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchanged.

B. In the event that there shall be any change, other than as specified in Section 13, in the number or kind of outstanding shares of the Common Stock, or of any stock or other securities into which the Common Stock shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind of shares then subject to any Option and the number or kind of shares reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Option and the number or kind of shares referred to in Sections 6B and 9B, such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the Plan and of each stock option agreement or certificate entered into in accordance with the provisions of the Plan.

C. In the case of any substitution or adjustment in accordance with the provisions of this Section 13, the option price in each stock option agreement or certificate for each share covered thereby prior to such substitution or adjustment shall be the option price for all shares of stock or other securities which shall have been substituted for such share or to which such share shall have been adjusted in accordance with the provisions of this Section 13.

D. No adjustment or substitution provided for in this Section 13 shall require the Company to sell a fractional share under any stock option agreement or certificate.

E. In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, then, except as otherwise provided in the second sentence of Section 13A, each Option, to the extent not theretofore exercised, shall terminate forthwith.


A. Unless the shares to be issued upon the exercise of an Option by a Participant shall be registered prior to the issuance thereof under the Securities Act of 1933, as amended, such Participant will, as a condition of
the Company's obligation to issue such shares, be required to give a representation in writing that he or she is acquiring such shares for his or her own account as an investment and not with a view to, or for sale in connection with, the distribution of any thereof.

B. In the event of the death of a Participant, a condition of exercising any Option shall be the delivery to the Company of such tax waivers and other documents as the Committee shall determine.

C. In the case of each non-incentive stock option, a condition of exercising the same shall be the entry by the person exercising the same into such arrangements with the Company with respect to withholding as the Committee may determine.

15. No Stockholder Status.

Neither any Participant nor his or her legal representatives, legatees or distributees shall be or be deemed to be the holder of any share of the Common Stock covered by an Option unless and until a certificate for such share has been issued. Upon payment of the purchase price thereof, a share issued upon exercise of an Option shall be fully paid and non-assessable.


Neither the existence of the Plan nor any Option shall in any way affect the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding whether of a similar character or otherwise.

17. Options Granted in Connection With Acquisitions.

In the event that the Committee determines that, in connection with the acquisition by the Company or a Subsidiary of another corporation which will become a Subsidiary or division of the Company or a Subsidiary (such corporation being hereafter referred to as an "Acquired Subsidiary"), Options may be granted hereunder to employees and other personnel of an Acquired Subsidiary in exchange for then outstanding options to purchase securities of the Acquired Subsidiary. Such Options may be granted at such option prices, may be exercisable immediately or at any time or times either in whole or in part, and may contain such other provisions not inconsistent with the Plan, or
the requirements set forth in Section 19 that certain amendments to the Plan be approved by the stockholders of the Company, as the Committee, in its discretion, shall deem appropriate at the time of the granting of such Options.

18. No Employment or Service Right.

Neither the existence of the Plan nor the grant of any Option shall require the Company or any Subsidiary to continue any Participant in the employ of the Company or such Subsidiary or require the Company to continue any Participant as a director of the Company.

19. Termination and Amendment of the Plan.

The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable; provided, however, that the Board may not without further approval of the holders of a majority of the shares of the Common Stock present in person or by proxy at any special or annual meeting of the stockholders, increase the number of shares as to which Options may be granted under the Plan (as adjusted in accordance with the provisions of Section 13), or change the manner of determining the option prices, or extend the period during which an Option may be granted or exercised; provided, however, the provisions of the Plan governing the grant of Non-Employee Director's Formula Options may not be amended except by the vote of a majority of the members of the Board and by the vote of a majority of the members of the Board who are employees of the Company or a Subsidiary and shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974 or the Rules of the Securities and Exchange Commission promulgated under Section 16 of the Exchange Act. Except as otherwise provided in Section 13, no termination or amendment of the Plan may, without the consent of the Participant to whom any Option shall theretofore have been granted, adversely affect the rights of such Participant under such Option.

20. Expiration and Termination of the Plan.

The Plan shall terminate on August 27, 2006 or at such earlier time as the Board may determine. Options may be granted under the Plan at any time and from time to time prior to its termination. Any Option outstanding under the Plan at the time of the termination of the Plan shall remain in effect until such Option shall have been exercised or shall have expired in accordance with its terms.
EXHIBIT B

SECTION 1 OF ARTICLE IV OF THE COMPANY’S
RESTATED CERTIFICATE OF INCORPORATION,
AS AMENDED AND AS PROPOSED TO BE AMENDED

The following Section 1. of Article IV of the Company’s Restated Certificate of Incorporation, as amended, would be amended to read as set forth below, to effect the Authorized Capital Amendment.

Section 1. Authorized Capital Stock. The Corporation shall be authorized to issue two classes of shares of capital stock to be designated, respectively, “Preferred Stock” and “Common Stock.” The total number of shares of capital stock which the Corporation shall have the authority to issue is 85,000,000, comprised of 75,000,000 shares of Common Stock, par value $.01 per share, and 10,000,000 shares of Preferred Stock, par value $.01 per share.

EXHIBIT C

PROPOSED AMENDMENT TO ARTICLE IV OF THE COMPANY’S RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED AND AS PROPOSED TO BE AMENDED TO EFFECT THE REVERSE STOCK SPLIT

The following Section would be added to Article IV of the Company’s Restated Certificate of Incorporation, as amended, to effect the Reverse Stock Split. If Proposal No. 2 is adopted, as reflected in Exhibit B, then the following Section would amend Article IV as amended by Proposal No. 2 and set forth in Exhibit B. If Proposal No. 2 is not adopted, then the following Section would amend Article IV as it presently exists. The following Section would become effective only upon affirmative action by the Board of Directors of the Company on or prior to December 31, 1997, setting the Split Ratio at between one-for-two and one-for-four. The Board of Directors has the authority to determine not to make the following section effective.

Section __, Effecting the Reverse Stock Split. Upon the date this Certificate of Amendment is filed with the Secretary of State of the State of Delaware, each [___] shares of issued and outstanding shares of Common Stock of this Corporation shall be automatically reclassified into one share of Common Stock of this Corporation, thereby giving effect to a one-for-[___] reverse stock split (the “Reverse Stock Split”). Furthermore, all outstanding rights and obligations (including option plans, stock options and the exercise price thereof, stock purchase warrants and the exercise prices thereof and the conversion terms of the Corporation’s shares of outstanding Series A Convertible Preferred Stock) relating to this Corporation’s Common Stock shall be mathematically adjusted to reflect the Reverse Stock Split so that the
proportionate ratio of such rights and obligations to the reclassified shares will be equal to the proportionate ratio of such rights and obligations to the shares outstanding immediately prior to such reclassification. In lieu of the issuance of any fractional shares that would otherwise result from the Reverse Stock Split, the Corporation shall pay the cash value of fractions of a share determined by the average closing price of the Common Stock for the five (5) trading days immediately preceding the Effective Date multiplied by the fractional interest. Following the effectiveness of this Certificate of Amendment, certificates representing the shares of Common Stock to be outstanding thereafter shall be exchanged for certificates now outstanding pursuant to procedures adopted by the Corporation’s Board of Directors and communicated to those who are to receive new certificates.

PROXY CARD LANGUAGE

PALATIN TECHNOLOGIES, INC.

214 Carnegie Center, Suite 100, Princeton, New Jersey 08540
SPECIAL MEETING OF STOCKHOLDERS -- June 9, 1997

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Edward J. Quilty and Carl Spana, and each of them (with full power to act without the other), as proxies with full power of substitution, to vote all shares of Common Stock, $.01 par value (the "Common Stock"), and Series A Preferred Convertible Stock, $.01 par value (the "Series A Preferred Stock"), of Palatin Technologies, Inc., a Delaware corporation (the "Company"), held of record by the undersigned on May 6, 1997, at the Company's Special Meeting of Stockholders to be held June 9, 1997 and at any postponement or adjournment thereof.

(To Be Signed on Reverse Side.)

1. To approve the adoption of the Company’s 1996 Stock Option Plan.

   [ ] FOR  [ ] AGAINST  [ ] ABSTAIN

2. To approve an amendment to the Company’s Restated Certificate of Incorporation, as amended (“Certificate of Incorporation”) increasing the total number of authorized shares of capital stock from 27,000,000 shares to 85,000,000 shares, of which 75,000,000 shall be Common Stock, $.01 par value per share (“Common Stock”) and 10,000,000 shall be Preferred Stock, $.01 par value per share.

   [ ] FOR  [ ] AGAINST  [ ] ABSTAIN

3. To approve and authorize the Board of Directors to amend the Company’s
Certificate of Incorporation to effect a reverse stock split of the Company's Common Stock (any split falling within a range between and including one (1) share of common stock ("New Common Stock") for every two (2) shares of Common Stock outstanding and one (1) share of New Common Stock for every four (4) shares of Common Stock outstanding, depending upon a determination by the Board of Directors that a reverse stock split is in the best interests of the Company and its stockholders.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

4. In their discretion, the proxies are authorized to vote upon such matters as may properly come before the meeting or any postponement or adjournment thereof.

[ ] GRANT AUTHORITY [ ] WITHHOLD AUTHORITY

You are urged to cast your vote by marking the appropriate boxes.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS SPECIFIED BY THE UNDERSIGNED STOCKHOLDER. IF NO CHOICE IS SPECIFIED BY THE STOCKHOLDER, THIS PROXY WILL BE VOTED FOR PROPOSALS NO. 1, 2 and 3 AND ON ANY OTHER MATTER COMING BEFORE THE MEETING IN THE DISCRETION OF THE ABOVE-NAMED PERSONS.

The undersigned hereby revokes any proxy or proxies heretofore given to vote upon or act with respect to such stock and hereby ratifies and confirms all the said attorneys, agents, proxies, their substitutes or any of them may lawfully do by virtue hereof.

Please complete, sign, date and return this Proxy in the enclosed envelope. No postage required if mailed in the United States.

SIGNATURE(S) DATE
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NOTE: Please date this Proxy and sign your names exactly as it appears hereon. When there is more than one owner, each should sign. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If executed by a corporation, this Proxy should be signed by a duly authorized officer. If a partnership, please sign in partnership name by authorized persons. Please note any changes in your address alongside the address as it appears in the Proxy.

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