U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2001

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission file number 0-27282

ATLANTIC TECHNOLOGY VENTURES, INC.

(Exact name of small business issuer as specified in its charter)

Delaware	36-3898269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

350 Fifth Avenue, Suite 5507, New York, New York 10118
(Address of principal executive offices)

(212) 267-2503
(Issuer's telephone number)

150 Broadway, Suite 1110, New York, New York 10038
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares of common stock outstanding as of August 13, 2001: 7,131,480

Transitional Small Business Disclosure Format (check one): Yes No X

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

ATLANTIC TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
(A Development Stage Company)

Consolidated Balance Sheets
(Unaudited)

Assets	June 30, 2001	December 31, 2000
Current assets:		
Cash and cash equivalents	$ 1,030,363	2,663,583
Accounts receivable	--	192,997
Prepaid expenses	9,815	22,599
Total current assets	1,040,178	2,879,179
Property and equipment, net	121,052	227,088
Investment in affiliate	45,660	67,344
Other assets	22,838	2,901
Total assets	$ 1,229,728	3,176,512
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 706,878	785,838
Deferred revenue	--	1,294,615
Total current liabilities	$ 706,878	2,080,453
Redeemable Series B convertible preferred stock Authorized 1,647,312 shares; 0 and 206,898 shares issued and outstanding at June 30, 2001 and December 31, 2000 respectively	--	600,000
Stockholders' equity:		
Preferred stock, $.001 par value. Authorized 10,000,000 shares; 1,375,000 shares designated as Series A convertible preferred stock	--	--
Series A convertible preferred stock, $.001 par value Authorized 1,375,000 shares; 329,256 and 359,711 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively (liquidation preference aggregating $4,280,328 and $4,676,243 at June 30, 2001 and December 31, 2000, respectively)	329	360
Convertible preferred stock warrants, 112,896 issued and outstanding at June 30, 2001 and December 31, 2000	520,263	520,263
Common stock, $.001 par value. Authorized 50,000,000 shares; 7,131,447 and 6,122,135 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	7,131	6,122
Common stock subscribed. 182 shares at June 30, 2001 and December, 31, 2000	--	--
Additional paid-in capital	25,423,361	24,796,190
Deficit accumulated during development stage	(25,427,692)	(24,826,334)
	523,392	496,601
Less common stock subscriptions receivable	(218)	(218)
Less treasury stock, at cost	(324)	(324)
Total stockholders' equity	522,850	496,059
Total liabilities and stockholders' eq$ity	1,229,728	3,176,512

See accompanying notes to unaudited consolidated financial statements.

ATLANTIC TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30,	
	2001	2000
Revenues:		
Development revenue	$ --	$ 1,434,634
License revenue	--	--
Grant revenue	--	--
Total revenues	--	1,434,634
Costs and expenses:		
Cost of development revenue	--	1,147,707
Research and development	295,316	302,029
Acquired in-process research and development	--	2,390,023
General and administrative	1,155,325	621,836
Compensation expense relating to stock warrants (general and administrative)	22,695	70,834
License fees	--	--
Total operating expenses	1,473,336	4,532,429
Operating loss	(1,473,336)	(3,097,795)
Other (income) expense:		
Interest and other income	(14,334)	(34,137)
(Gain) loss on sale of Optex assets	240,000	--
Loss on sale of Gemini assets	334,408	--
Interest expense	--	--
Equity in (earnings) loss of affiliate	17,963	23,700
Distribution to minority shareholders	69,760	--
Total other (income) expense	647,797	(10,437)
Net loss	$ (2,121,133)	$ (3,087,358)
Imputed convertible preferred stock dividend	--	--
Dividend paid upon repurchase of Series B	--	--
Preferred stock dividend issued in preferred shares	--	--
Net loss applicable to common shares	$ (2,121,133)	$ (3,087,358)
Net loss per common share:		
Basic and diluted	$ (0.32)	$ (0.56)
Weighted average shares of common stock outstanding, basic and diluted:	6,608,751	5,503,803

	Six months ended June 30,	
	2001	2000

Revenues:		
Development revenue	$ 2,461,922	$ 2,347,115
License revenue	--	--
Grant revenue	250,000	13,009
Total revenues	2,711,922	2,360,124
Costs and expenses:		
Cost of development revenue	2,082,568	1,877,692
Research and development	602,083	429,468
Acquired in-process research and development	--	2,390,023
General and administrative	1,837,273	1,117,514
Compensation expense relating to stock warrants (general and administrative)	34,666	1,061,654
License fees	--	--
Total operating expenses	4,556,590	6,876,351
Operating loss	(1,844,668)	(4,516,227)
Other (income) expense:		
Interest and other income	(34,352)	(74,327)
(Gain) loss on sale of Optex assets	(2,569,451)	--
Loss on sale of Gemini assets	334,408	--
Interest expense	--	--
Equity in (earnings) loss of affiliate	21,684	23,700
Distribution to minority shareholders	837,274	--
Total other (income) expense	(1,410,437)	(50,627)
Net loss	$ (434,231)	$ (4,465,600)
Imputed convertible preferred stock dividend	600,000	--
Dividend paid upon repurchase of Series B	167,127	--
Preferred stock dividend issued in preferred shares	64,144	659,319
Net loss applicable to common shares	$ (1,265,502)	$ (5,124,919)
Net loss per common share:		
Basic and diluted	$ (0.19)	$ (0.98)
Weighted average shares of common stock outstanding, basic and diluted:	6,515,753	5,236,680

	Cumulative period from July 13, 1993 (inception) to June 30, 2001
Revenues:	
Development revenue	$ 8,713,720
License revenue	2,500,000
Grant revenue	616,659
Total revenues	11,830,379
Costs and expenses:	
Cost of development revenue	7,084,006
Research and development	10,106,993
Acquired in-process research and development	2,653,382
General and administrative	17,740,499
Compensation expense relating to stock warrants (general and administrative)	1,055,531
License fees	173,500
Total operating expenses	38,813,911

Operating loss	(26,983,532)
Other (income) expense:	
Interest and other income	(1,285,488)
(Gain) loss on sale of Optex assets	(2,569,451)
Loss on sale of Gemini assets	334,408
Interest expense	625,575
Equity in (earnings) loss of affiliate	100,958
Distribution to minority shareholders	837,274
Total other (income) expense	(1,956,724)
Net loss	$ (25,026,808)
Imputed convertible preferred stock dividend	5,931,555
Dividend paid upon repurchase of Series B	400,884
Preferred stock dividend issued in preferred shares	1,347,207
Net loss applicable to common shares	$ (32,706,454)
Net loss per common share:	
Basic and diluted	
Weighted average shares of common stock outstanding, basic and diluted:	

See accompanying notes to unaudited consolidated financial statements.

ATLANTIC TECHNOLOGY VENTURES, INC. AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,		Cumulative period from July 13, 1993 (inception) to June 30,
	2001	2000	2001
Cash flows from operating activities:			
Net loss	$ (434,231)	(4,465,600)	(25,026,808)
Adjustments to reconcile net loss to net cash used in operating activities:			
Acquired in-process research and development	--	1,800,000	1,800,000
Expense relating to issuance of warrants	444,000	--	742,202
Expense relating to the issuance of options	--	--	81,952
Expense related to Channel merger	--	--	657,900
Change in equity of affiliate	21,684	23,700	100,958
Compensation expense relating to stock options and warrants	34,666	1,061,654	1,263,576
Discount on notes payable - bridge financing	--	--	300,000
Depreciation	43,911	32,729	550,416
Gain on sale of Optex assets	(2,569,451)	--	(2,569,451)
Distribution to Optex minority shareholders	837,274	--	837,274
Loss on sale of Gemini assets	334,408	--	334,408
Loss on disposal of furniture and equipment	--	--	73,387
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	192,997	(484,524)	--
(Increase) decrease in prepaid expenses	12,784	(20,185)	(9,815)
Decrease in deferred revenue	(1,294,615)	--	--
Increase (decrease) in accrued expenses	(706,118)	(277)	79,720
Increase (decrease) in accrued interest	--	--	172,305
Increase in other assets	(19,937)	(2,901)	(22,838)
Net cash used in operating activities	(3,102,628)	(2,055,404)	(20,634,814)
Cash flows from investing activities:			
Purchase of furniture and equipment	(101,834)	(23,179)	(914,915)
Investment in affiliate	--	(109,977)	(146,618)
Proceeds from sale of Optex assets	3,000,000	--	3,000,000
Proceeds from sale of furniture and equipment	--	--	6,100
Net cash provided by (used in) investing activities	2,898,166	(133,156)	1,944,567
Cash flows from financing activities:			
Proceeds from exercise of warrants	--	--	5,500
Proceeds from exercise of stock options	--	321,040	397,098
Proceeds from issuance of demand notes payable	--	--	2,395,000
Repayment of demand notes payable	--	--	(125,000)
Proceeds from the issuance of notes payable - bridge financing	--	--	1,200,000
Proceeds from issuance of warrants	--	--	300,000
Repayment of notes payable - bridge financing	--	--	(1,500,000)
Repurchase of common stock	--	--	(324)
Preferred stock dividend paid	(577)	--	(895)
Proceeds from the issuance of common stock	--	--	7,547,548
Proceeds from issuance of convertible preferred stock	--	--	11,441,672
Repurchase of convertible preferred stock	(617,067)	--	(1,128,875)
Distribution to Optex minority shareholders	(811,114)	--	(811,114)
Net cash provided (used in) by financing activities	(1,428,758)	321,040	19,720,610
Net decrease in cash and cash equivalents	(1,633,220)	(1,867,520)	1,030,363
Cash and cash equivalents at beginning of period	2,663,583	3,473,321	--
Cash and cash equivalents at end of period	$ 1,030,363	1,605,801	1,030,363
Supplemental disclosure of noncash financing activities:			
Issuance of common stock in exchange for common stock subscriptions	$ --	--	7,027
Conversion of demand notes payable and the related accrued interest to common stock	--	--	2,442,304
Cashless exercise of preferred warrants	--	19,811	49,880
Conversion of preferred to common stock	409	289	2,835
Preferred stock dividend issued in shares	64,144	659,324	1,190,024

See accompanying notes to unaudited consolidated financial statements.

ATLANTIC TECHNOLOGY VENTURES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2001

(1) BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information Accordingly, the financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal recurring adjustments, considered necessary for fair presentation Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2001 or for any subsequent period These consolidated financial statements should be read in conjunction with Atlantic Technology Ventures, Inc., and Subsidiaries' ("Atlantic") Annual Report on Form 10-KSB/A as of and for the year ended December 31, 2000.

(2) LIQUIDITY

Atlantic anticipates that their current liquid resources will be sufficient to finance their anticipated needs for operating and capital expenditures at their present level of operations for at least the next several months. However, since Atlantic does not have significant fixed cash commitments, Atlantic has the option of significantly cutting or delaying its development activities as may be necessary. In addition, Atlantic will attempt to generate additional capital through a combination of collaborative agreements, strategic alliances and equity and debt financing However, Atlantic can give no assurance that they will be able to obtain additional capital through these sources or upon terms acceptable to them.

On May 7, 2001, Atlantic entered into a common stock purchase agreement with Fusion Capital Fund II, LLC pursuant to which Fusion Capital agreed to purchase up to $6.0 million of our common stock. This agreement replaced an earlier common stock purchase agreement between Atlantic and Fusion Capital dated March 16, 2001. Fusion's obligation to purchase Atlantic shares is subject to certain conditions, including the effectiveness of a registration statement covering the shares to be purchased. That registration statement was declared effective on July 6, 2001. A material contingency that may affect Atlantic's operating plans and ability to raise funds is its stock price If its stock price remains at current levels, Atlantic will be limited in the amount of funds it will be able to draw on under the Fusion Capital agreement. Atlantic's stock price is currently below the floor price of $0.68 specified in the Fusion Capital agreement and as a result Atlantic is currently unable to draw funds pursuant to the Fusion Capital agreement. As the Fusion Capital agreement is currently structured, Atlantic cannot guarantee that it will be able to draw on any funds. See note 11 below and see liquidity discussion within "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) COMPUTATION OF NET LOSS PER COMMON SHARE

Basic net loss per common share is calculated by dividing net loss applicable to common shares by the weighted-average number of common shares outstanding for the period. Diluted net loss per common share is the same as basic net loss per common share, as common equivalent shares from stock options, stock warrants, stock subscriptions, and convertible preferred stock would have an antidilutive effect because Atlantic incurred a net loss during each period presented.

(4) RECENTLY ISSUED ACCOUNTING STANDARDS

On January 1, 2001, Atlantic adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities--an amendment of SFAS No. 133" and SFAS No. 133, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 138 amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities SFAS No. 133 requires a company to recognize all derivative instruments as assets and liabilities in its balance sheet and measure them at fair value. The adoption of these statements did not

have a material impact on Atlantic's consolidated financial position, results of operations or cash flows, as Atlantic is currently not party to any derivative instruments.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 141 requires that all business combinations be accounted for under a single method--the purchase method. Use of the pooling-of-interests method no longer is permitted. SFAS 141 requires that the purchase method be used for business combinations initiated after June 30, 2001. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. The amortization of goodwill ceases upon adoption of the Statement, which for calendar year-end companies, will be January 1, 2002. SFAS No. 142 has no financial impact on Atlantic as Atlantic does not have any goodwill or intangible assets which resulted from any previous business combinations.

(5) INCOME TAXES

Atlantic incurred a net loss for the three and six months ended June 30,2001. In addition, Atlantic does not expect to generated book income for the year ended December 31, 2001; therefore, no income taxes have been reflected for the six months ended June 30, 2001.

(6) PREFERRED STOCK DIVIDEND

On January 16, 2001, Atlantic's board of directors declared a payment-in-kind dividend of 0.065 of a share of Series A convertible preferred stock for each share of Series A preferred stock held as of the record date of February 7, 2001. The estimated fair value of this dividend of $64,144 was included in Atlantic's calculation of net loss per common share for the six months ended June 30, 2001. The equivalent dividend for the six months ended June 30, 2000 had an estimated fair value of $659,319 and is recorded in the same manner.

On August 7, 2001, Atlantic's board of directors declared a payment-in-kind dividend of 0.065 of a share of Series A preferred stock per share of Series A preferred stock to the holders of shares of the Series A preferred stock as of the record date of August 7, 2001.

(7) ISSUANCE OF STOCK WARRANTS

As more fully described in Note 9 to Atlantic's Annual Report on Form 10-KSB/A as of and for the year ended December 31, 2000, on January 4, 2000, Atlantic entered into a financial advisory and consulting agreement with Joseph Stevens & Company, Inc. pursuant to which Atlantic issued to Joseph Stevens & Company, Inc. three warrants to purchase an aggregate of 450,000 shares of its common stock. Atlantic recorded compensation expense relating to these stock warrants in the amounts of $70,834 and $1,061,654 for the three- and six-month periods ended June 30, 2000, respectively. No such compensation is required subsequent to December 31, 2000.

On March 8, 2001, Atlantic entered into an agreement with The Investor Relations Group, Inc. ("IRG") under which IRG will provide Atlantic investor relations services. Pursuant to this agreement, Atlantic issued to Dian Griesel, the principal of IRG, warrants to purchase 120,000 shares of its common stock at an exercise price of $0.875 per share. These warrants will vest monthly in 5,000 share increments over a 24-month period. In addition, should Atlantic's stock price reach $2.50, Atlantic will grant Dian Griesel an additional 50,000 warrants, and should Atlantic's stock price reach $5.00, Atlantic will grant Dian Griesel a further 50,000 warrants. As a result, Atlantic recorded compensation expense relating to these stock warrants of $22,695 and $34,666 in the three- and six-month periods ended June 30, 2001, respectively, pursuant to EITF Issue No. 96-18. Atlantic will remeasure the compensation expense at the end of each reporting period until the final measurement date is reached 24 months after issuance.

Compensation for these warrants relates to investment banking and investor relations services and represents a general and administrative expense.

(8) REDEEMABLE SERIES B PREFERRED SHARES

On September 28, 2000, pursuant to a convertible preferred stock and warrants purchase agreement (the "Purchase Agreement") Atlantic issued to BH Capital Investments, L.P. and Excalibur Limited Partnership

(together, the "Investors") for a purchase price of $2,000,000, 689,656 shares of Atlantic's Series B convertible preferred stock and warrants to purchase 134,000 shares of Atlantic's common stock. Half of the shares of the Series B preferred stock (344,828 shares) and warrants to purchase half of the shares of common stock (67,000 shares) were held in escrow, along with half of the purchase price.

On December 4, 2000, Atlantic and the Investors entered into a stock repurchase agreement (the "Repurchase Agreement") pursuant to which Atlantic repurchased from the investors a portion of the outstanding shares.

Pursuant to Atlantic's subsequent renegotiations with the Investors, Atlantic was required, among other things, to redeem on March 28, 2002, all outstanding shares of Series B preferred stock for (A) 125% of the original issue price per share or (B) the market price of the shares of common stock into which they are convertible, whichever is greater (the "Redemption Price"). Atlantic would have been able to at any time redeem all outstanding shares of Series B preferred stock at the Redemption Price. As a result of the renegotiations discussed in this paragraph, the Series B preferred stock was considered redeemable and the remaining outstanding shares at December 31, 2000 were classified outside of permanent equity in the accompanying consolidated balance sheet. At December 31, 2000, of the shares of Series B preferred stock issued to the Investors, there were 206,898 shares outstanding at a carrying amount of $2.90 per share.

Holders of shares of Atlantic's outstanding Series B preferred stock could convert each share into shares of common stock without paying Atlantic any cash. The conversion price per share of the Series B preferred stock was also amended by the second amendment to the Purchase Agreement. The conversion price per share of Series B preferred stock on any given day is the lower of (1) $1.00 or (2) 90% of the average of the two lowest closing bid prices on the principal market of the common stock out of the fifteen trading days immediately prior to conversion. The change in conversion price upon the renegotiations on January 9, 2001 resulted in a difference between the conversion price of the Series B preferred stock and the market price of the common stock on the effective date of the renegotiation. This amount, estimated at $600,000, was recorded as an imputed preferred stock dividend within equity and is deducted from net loss to arrive at net loss applicable to common shares during the six months ended June 30, 2001.

On January 19, 2001, 41,380 shares of Series B preferred stock were converted by the Investors into 236,422 shares of Atlantic's common stock. On March 9, 2001, Atlantic and the Investors entered into a second stock repurchase agreement pursuant to which Atlantic repurchased from the Investors, for an aggregate purchase price of $617,067, all 165,518 shares of Atlantic's Series B preferred stock held by the Investors on March 9, 2001. The carrying amount of the 165,518 shares is equal to $480,000; therefore the amount in excess of the carrying amount, which equals $167,127, was recorded as a dividend upon repurchase of shares of Series B preferred stock and is deducted from net loss to arrive at net loss applicable to common shares.

(9) DEVELOPMENT REVENUE

In accordance with an amended license and development agreement, which was subsequently terminated as described below in note 10, Bausch & Lomb Surgical reimbursed Atlantic's subsidiary, Optex Ophthalmologics, Inc. ("Optex"), for costs Optex incurred in developing its Catarex technology, plus a profit component. For the six months ended June 30, 2001, this agreement provided $2,461,922 of development revenue, and related cost of development revenue of $2,082,568. This agreement provided $1,434,634 and $2,347,115 of development revenue, and related cost of development revenue of $1,147,707 and $1,877,692 for the three- and six-month periods ended June 30, 2000 respectively. The agreement was terminated in March 2001 (see note 10 below). Accordingly, there was no development revenue or related expense for the quarter ended June 30, 2001.

(10) SALE OF OPTEX ASSETS

Pursuant to an asset purchase agreement dated January 31, 2001, among Bausch & Lomb, a Bausch & Lomb affiliate, Atlantic, and Optex, on March 2, 2001, Optex sold to Bausch & Lomb substantially all of its assets (mostly intangible assets with no book value), including all those related to the Catarex technology. The purchase price was $3 million paid at closing (of which approximately $564,000 has been distributed to Optex's minority shareholders). In addition, Optex is entitled to receive additional consideration, namely $1 million once Bausch & Lomb receives regulatory approval to market the Catarex device in Japan, royalties on net sales on the terms stated

in the original development agreement dated May 14, 1998, between Bausch & Lomb and Optex, as amended, and minimum royalties of $90,000, $350,000, and $750,000 for the first, second, and third years, respectively, starting on first commercial use of the Catarex device or January 1, 2004, whichever is earlier. Optex also has the option to repurchase the acquired assets from Bausch & Lomb at fair value if it ceases developing the Catarex technology at fair value.

Upon the sale of Optex assets, Bausch & Lomb's development agreement with Optex was terminated and Optex has no further involvement with Bausch & Lomb. As a result of this transaction, Atlantic recorded a net gain on the sale of Optex assets of $2,569,451 for the six-month period ended June 30, 2001, net of severance payments to former Optex employees in the amount of $240,000 made during the three-month period ended June 30, 2001. The purchase price of $3,000,000 is nonrefundable and upon the closing of the asset purchase agreement in March 2001, Optex had no further obligation to Bausch & Lomb or with regard to the assets sold. In the asset purchase agreement, Optex agreed to forgo future contingent payments provided for in the earlier development agreement. Pursuant to Atlantic's agreement with the minority shareholders of Optex, Optex has recorded a profit distribution for the six months ended June 30, 2001 of $837,274 representing the minority shareholders' percentage of the cumulative profit from the Bausch & Lomb development and asset purchase agreements up to and including proceeds from the sale of Optex' assets.

On May 9, 2001, Atlantic's board of directors, after consideration of all the relevant facts and circumstances, including recommendation of counsel, agreed to authorize an aggregate payment of $240,000 to three former employees of Optex (who are now employed by Bausch & Lomb). The payments were made on May 11, 2001, and represented the settlement of claims made by the employees subsequent to the asset purchase agreement referred to above for severance monies allegedly due under their employment agreement. Atlantic did not believe these monies were due pursuant to the terms of the transaction itself and the respective employment agreements. The board of directors elected to acquiesce to the demands of the former employees and resolve the matter in light of the potential future royalties from Bausch & Lomb and the importance of these individuals to the ongoing development activities. The payment was recorded as an expense netted against the gain on sale of Optex assets in the June 30, 2001 statement of operations.

(11) PRIVATE PLACEMENT OF COMMON SHARES

On May 7, 2001, Atlantic entered into a common stock purchase agreement with Fusion Capital Fund II, LLC, pursuant to which Fusion Capital agreed to purchase up to $6.0 million of Atlantic's common stock over a 30-month period, subject to a six-month extension or earlier termination at Atlantic's discretion. This agreement replaced an earlier common stock purchase agreement between Atlantic and Fusion Capital dated March 16, 2001. Fusion's obligation to purchase Atlantic shares is subject to certain conditions, including the effectiveness of a registration statement covering the shares to be purchased. That registration statement was declared effective on July 6, 2001. The selling price of the shares will be equal to the lesser of (1) $20.00 or (2) a price based upon the future market price of the common stock, without any fixed discount to the market price. A material contingency that may affect Atlantic's operating plans and ability to raise funds is its stock price. If its stock price remains at current levels, Atlantic will be limited in the amount of funds it will be able to draw on under the Fusion Capital agreement. Atlantic's stock price is currently below the floor price of $0.68 specified in the Fusion Capital agreement, and as a result, Atlantic is currently unable to draw on funds pursuant to the Fusion Capital agreement. As the Fusion Capital agreement is currently structured, Atlantic cannot guarantee that it will be able to draw on any funds. Atlantic paid a finder's fee of $120,000 in connection with signing this agreement and subsequently was required to issue 600,000 commitment shares to Fusion Capital; those shares had an estimated fair value of $444,000. General and administrative expense for the three-and six-month periods ended June 30, 2001 include amounts relating to the finder's fee and issuance of stock in the amounts of $444,000 and $564,000 respectively.

(12) SALE OF GEMINI ASSETS

Pursuant to an asset purchase agreement dated April 23, 2001, among Atlantic, Atlantic's majority-owned subsidiary Gemini Technologies, Inc., the Cleveland Clinic Foundation ("CCF") and CCF's affiliate IFN, Inc., Gemini undertook to sell, upon meeting certain closing conditions, to IFN substantially all its assets, including all those related to the 2-5A antisense enhancing technology, for future contingent royalty payments and withdrawal of CCF's arbitration demand against Atlantic and Gemini. The transaction closed on May 5, 2001. This transaction will be beneficial to Atlantic since it permits Atlantic to avoid terminating the Cleveland sublicense with no compensation to Gemini and spares Atlantic from having to pay the substantial shutdown costs that Gemini would

likely have incurred without this asset purchase agreement. In connection with this sale, Atlantic recorded a loss of $334,408. This loss results from net assets sold to IFN of $136,408 and a potential exposure, related to SBIR grant funds for research on the 2-5A antisense technology, of approximately $198,000, which was accrued for at June 30, 2001.

(13) SUBSEQUENT EVENTS

On August 9, 2001, Atlantic retained Proteus Capital Corp. as its investment bankers to assist Atlantic with raising additional funds. Pursuant to this agreement, Atlantic has agreed to issue to Proteus warrants to acquire 100,000 shares of its common stock at the average closing stock price for the two weeks ending August 17, 2001. Beginning in the third quarter of 2001, Atlantic will record compensation expense relating to the stock warrants representing their estimated fair value. Atlantic will remeasure the compensation expense at the end each reporting period until the final measurement date is reached.

In August 2001, Atlantic issued 35,000 shares of its common stock to each of BH Capital Investments, L.P. and Excalibur Limited Partnership in return for their commitment to provide Atlantic with $3.5 million of financing in connection with an asset purchase for which Atlantic had submitted a bid. Atlantic did not ultimately purchase those assets.

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

You should read the following discussion of our results of operations and financial condition in conjunction with our Annual Report on Form 10-KSB/A for the year ended December 31, 2000. This discussion includes "forward-looking" statements that reflect our current views with respect to future events and financial performance. We use words such as we "expect," "anticipate," "believe," and "intend" and similar expressions to identify forward-looking statements. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties inherent in future events, particularly those risks identified in the "Risk Factors" section of the Annual Report on Form 10-KSB/A, and should not unduly rely on these forward looking statements.

RESULTS OF OPERATIONS

THREE-MONTH PERIOD ENDED JUNE 30, 2001 VS. 2000

In accordance with a license and development agreement, as amended, Bausch & Lomb Surgical has paid our subsidiary, Optex Ophthalmologics, Inc. ("Optex"), for developing its Catarex technology. With the termination of this agreement at the conclusion of the sale of substantially all of Optex's assets (mostly intangible assets with no book value) in March 2001, as described further below, we no longer have the revenues or profits associated with that agreement available to us. As a result, for the three months ended June 30, 2001, this agreement provided no development revenue, and no related cost of development revenue. For the three months ended June 30, 2000, this agreement provided $1,434,634 of development revenue, and related cost of development revenue of $1,147,707.

For the quarter ended June 30, 2001, research and development expense was $295,316 as compared to $302,029 in the second quarter of 2000. This decrease is primarily due to the cessation of research and development activities on the antisense technology as a result of the sale of the assets of Gemini, partially offset by increased expenditures related to the testing of our CT-3 compound.

As of June 30, 2000, we made an investment in TeraComm, Inc. of $700,000 in cash and common stock and warrants valued at $1.8 million. For the quarter ended June 30, 2000, we expensed $2,390,023 of this payment as acquired in-process research and development since TeraComm's product development activity was in its very early stages. As a result of TeraComm's not meeting a technical milestone at December 31, 2000, no further investments were made in TeraComm.

For the quarter ended June 30, 2001, general and administrative expense was $1,155,325 as compared to $621,836 in the quarter ended June 30, 2000. This increase is principally due to the estimated fair value of our issuing 600,000 commitment shares to Fusion Capital Fund II, LLC of $444,000 incurred during the second quarter of 2001 in conjunction with a common stock purchase agreement entered into during the second quarter of 2001 with Fusion Capital pursuant to which Fusion Capital agreed to purchase up to $6.0 million of our common stock over a 30-month period, subject to a 6-month extension or earlier termination at our discretion. Fusion's obligation to purchase Atlantic shares is subject to certain conditions, including the effectiveness of a registration statement covering the shares to be purchased. That registration statement was declared effective on July 6, 2001. A material contingency that may affect our operating plans and ability to raise funds is our stock price. If our stock price remains at current levels, we will be limited in the amount of funds we will be able to draw on under the Fusion Capital agreement. Our stock price is currently below the floor price of $0.68 specified in the Fusion Capital agreement and as a result we are currently unable to draw funds pursuant to the Fusion Capital agreement. As the Fusion Capital agreement is currently structured, we cannot guarantee that we will be able to draw on any funds. See "Liquidity and Capital Resources" for further details on this agreement. Also contributing to the increase in general and administrative expenses was an increase in expenses associated with investor relations services over last year of about $48,000.

For the quarter ended June 30, 2001, we had compensation expense relating to stock warrants of $22,695 associated with warrants issued to Dian Griesel during March 2001 as partial compensation for investor relations services. Additional expense associated with these warrants will continue to be incurred over the two-year term of the agreement. For the quarter ended June 30, 2000, we had $70,834 of expense associated with warrants issued to Joseph Stevens & Company as partial compensation for investment banking services which amount was recorded in

full as of December 31, 2000. Compensation expense relating to these investor relations and investment banking services represent a general and administrative expense.

For the second quarter of 2001, interest and other income was $14,334, compared to $34,137 in the second quarter of 2000. The decrease in interest income is primarily due to the decline in our cash reserves.

Net loss applicable to common shares for the quarter ended June 30, 2001, was $2,121,133 as compared to $3,087,358 for the quarter ended June 30, 2000. This decrease in net loss applicable to common shares is primarily attributable to the recording of acquired in-process research and development expense in conjunction with our investment in TeraComm, Inc. of $2,390,023 in the second quarter of 2000. The loss differential is partially reduced by a loss on the sale of the assets of Gemini of $334,408 in the second quarter of 2001, severance payments declared in May 2001 to former Optex employees aggregating to $240,000, and the cost of our issuing 600,000 commitment shares to Fusion Capital Fund II, LLC of $444,000 incurred in the second quarter of 2001. In addition, with the termination of our agreement with Bausch & Lomb, we no longer have the revenue or profits associated with that agreement available to us. As a result, we had no profit resulting from this agreement in the second quarter of 2001 as compared with $286,927 in the second quarter of 2000. For the year ended December 31, 2000, we received $5,169,288 in development revenue from Bausch & Lomb.

SIX-MONTH PERIOD ENDED JUNE 30, 2001 VS. 2000

In accordance with a license and development agreement, as amended, Bausch & Lomb Surgical has paid our subsidiary, Optex Ophthalmologics, Inc. ("Optex"), for developing its Catarex technology. For the six months ended June 30, 2001, this agreement provided $2,461,922 of development revenue and related cost of development revenue of $2,082,568. For the six months ended June 30, 2000, this agreement provided $2,347,115 of development revenue and related cost of development revenue of $1,877,692. The increase in revenues and related expenses over last year was due to the recognition of a project completion bonus of $1,067,345 paid out and recognized at the completion of the project in March 2001. The increase is offset by the fact that there were no revenues and related expenses in the second quarter of 2001. With the termination of the above agreement at the conclusion of the sale of substantially all of Optex's assets (mostly intangible assets with no book value) in March 2001, as described further below, we will no longer have the revenues or profits associated with that agreement available to us.

For the six months ended June 30, 2001, research and development expense was $602,083 as compared to $429,468 in the six months ended June 30, 2000. This increase is due to increased expenditures on certain development projects, including CT-3, with respect to which we have been assessing potential markets and developing test plans for a Phase II study. This increase is offset somewhat by the cessation of research and development activities on the antisense technology as a result of the sale of the assets of Gemini.

As of June 30, 2000, we made an investment in TeraComm, Inc. of $700,000 in cash and common stock and warrants valued at $1.8 million. For the six months ended June 30, 2000, we expensed $2,390,023 of this payment as acquired in-process research and development since TeraComm's product development activity was in its very early stages. As a result of TeraComm's not meeting a technical milestone at December 31, 2000, no further investments were made in TeraComm.

For the six months ended June 30, 2001, general and administrative expense was $1,837,273 as compared to $1,117,514 for the six months ended June 30, 2000. This increase is largely due to an increase in payroll costs over last year of approximately $90,000, an increase in expenses associated with investor relations services of approximately $65,000 and expenses incurred in conjunction with a common stock purchase agreement entered into during the second quarter of 2001 with Fusion Capital Fund II, LLC. These expenses include the cost of our issuing 600,000 commitment shares to Fusion Capital of $444,000 and a finders fee of $120,000. Fusion's obligation to purchase Atlantic shares is subject to certain conditions, including the effectiveness of a registration statement covering the shares to be purchased. That registration statement was declared effective on July 6, 2001. A material contingency that may affect our operating plans and ability to raise funds is our stock price. If our stock price remains at current levels, we will be limited in the amount of funds we will be able to draw on under the Fusion Capital agreement. At this point our stock price is currently below the floor price of $0.68 specified in the Fusion Capital agreement and as a result we are currently unable to draw funds pursuant to the Fusion Capital agreement. As the Fusion Capital

agreement is currently structured, we cannot guarantee that we will be able to draw on any funds. See "Liquidity and Capital Resources" for further details on this agreement.

For the six months ended June 30, 2001, we had compensation expense relating to stock warrants of $34,666 associated with warrants issued to Dian Griesel during March 2001 as partial compensation for investor relations services. Additional expense associated with these warrants will continue to be incurred over the two-year term of the agreement. For the six months ended June 30, 2000, we had $1,061,654 of expense associated with warrants issued to Joseph Stevens & Company as partial compensation for investment banking services, which amount was recorded in full as of December 31, 2000. Compensation expense relating to these investor relations and investment banking services represent a general and administrative expense.

For the six months ended 2001, interest and other income was $34,352, compared to $74,327 in six months ended June 30, 2000. The decrease in interest income is primarily due to the decline in our cash reserves.

Net loss applicable to common shares for the six months ended June 30, 2001, was $1,265,502 as compared to $5,124,919 for the six months ended June 30, 2000. This decrease in net loss applicable to common shares is attributable in part to a gain on the sale of the assets of our subsidiary, Optex, recognized during the six months ended June 30, 2001 in the amount of $2,569,451, partially offset by a distribution to the minority shareholders of Optex of $837,274 (see further discussion of this sale below). In addition, the decrease in net loss applicable to common shares is compounded by the recording of acquired in-process research and development expense in conjunction with our investment in TeraComm, Inc. of $2,390,023 in the six months ended June 30, 2000. In the six months ended June 30, 2000, we recorded compensation expense of $1,061,654 relating to stock warrants issued to Joseph Stevens & Co. compared with compensation expense of $34,666 relating to stock warrants issued to the Investor Relations Group during the current year. The loss differential is partially reduced by a loss on the sale of the assets of Gemini of $334,408 in the six months ended June 30, 2001, severance payments declared in May 2001 to former Optex employees aggregating to $240,000, and the cost of our issuing 600,000 commitment shares to Fusion Capital Fund II, LLC of $444,000 incurred in the six months ended June 30, 2001. In addition, with the termination of our agreement with Bausch & Lomb, we no longer have the revenue or profits associated with that agreement available to us. As a result, we had no profit resulting from this agreement in the second quarter of 2001 as compared with $286,927 in the second quarter of 2000. For the year ended December 31, 2000, we received $5,169,288 in development revenue from Bausch & Lomb.

Net loss applicable to common shares for the six months ended June 30, 2001 also included a beneficial conversion on share of our Series B preferred stock in the amount of $600,000 and a dividend of $167,127 paid upon the repurchase of the outstanding shares of Series B preferred stock recorded during the six months ended June 30, 2001. We also issued preferred stock dividends on our Series A preferred stock for which the estimated fair value of $64,144 and $659,319 was included in the net loss applicable to common shares for the six months ended June 30, 2001 and 2000, respectively. The decrease in the estimated fair value of these dividends as compared to the prior year is primarily a reflection of the decline in our stock price and a reduction of the number of preferred shares issued.

LIQUIDITY AND CAPITAL RESOURCES

From inception to June 30, 2001, we incurred an accumulated deficit of $25,427,692, and we expect to continue to incur additional losses through the year ending December 31, 2001 and for the foreseeable future. The loss has been incurred through primarily research and development activities related to the various technologies under our control.

Pursuant to an asset purchase agreement dated January 31, 2001, among Bausch & Lomb, a Bausch & Lomb affiliate, Atlantic, and Optex, on March 2, 2001, Optex sold to Bausch & Lomb substantially all its assets (mostly intangible assets with no book value), including all those related to the Catarex technology. Upon the sale, Atlantic and Optex have no further obligations to Bausch & Lomb. The purchase price was $3 million paid at closing (approximately $564,000 of which was distributed to the minority shareholders). In addition, Optex is entitled to receive additional consideration, namely $1 million once Bausch & Lomb receives regulatory approval to market the Catarex device in Japan, royalties on net sales on the terms stated in the original development agreement dated May 14, 1998, between Bausch & Lomb and Optex, as amended, and minimum royalties of $90,000, $350,000, and $750,000 for the first, second, and third years, respectively, starting on first commercial use of the

Catarex device or January 1, 2004, whichever is earlier. Optex also has the option to repurchase the acquired assets from Bausch & Lomb if it ceases developing the Catarex technology at fair value. Upon the sale of Optex assets, Bausch & Lomb's development agreement with Optex was terminated. In the asset purchase agreement Optex agreed to forgo future contingent payments provided for in the earlier development agreement. As a result of this transaction, we recorded a gain on the sale of Optex assets of $2,569,451. We made a profit distribution of $837,274 to Optex's minority shareholders, representing their share of the cumulative profit from the development agreement with Bausch & Lomb and the proceeds from the sale of Optex' assets.

On September 28, 2000, pursuant to a convertible preferred stock and warrants purchase agreement (the "Purchase Agreement"), we issued to BH Capital Investments, L.P. and Excalibur Limited Partnership (together, the "Investors") for a purchase price of $2,000,000, 689,656 shares of our Series B convertible preferred stock and warrants to purchase 134,000 shares of our common stock. Half of the shares of Series B preferred stock (344,828 shares) and warrants to purchase half of the shares of common stock (67,000 shares) were held in escrow, along with half of the purchase price.

On December 4, 2000, Atlantic and the Investors entered into a stock repurchase agreement (the stock Repurchase Agreement") pursuant to which we repurchased from the Investors for $500,000 137,930 shares of Series B preferred stock, and agreed to the release from escrow to the Investors of the $1,000,000 purchase price of the 344,828 shares of Series B preferred stock held in escrow. We also allowed the Investors to keep all of the warrants issued under the purchase agreement and issued to the Investors warrants to purchase a further 20,000 shares of our common stock at the same exercise price. On January 19, 2001, 41,380 shares of Series B preferred stock were converted by the Investors into 236,422 shares of our common stock. On March 9, 2001, Atlantic and the Investors entered into a second stock repurchase agreement pursuant to which we repurchased from the Investors, for an aggregate purchase price of $617,067, all 165,518 shares of our Series B preferred stock held by the Investors. The repurchase price represented 125% of the purchase price originally paid by the investors for the repurchased shares, as well as an amount equal to the annual dividend on the Series B preferred stock at a rate per share of 8% of the original purchase price. The repurchased shares constitute all remaining outstanding shares of Series B preferred stock; we have cancelled those shares.

On May 7, 2001, we entered into a common stock purchase agreement with Fusion Capital Fund II, LLC pursuant to which Fusion Capital agreed to purchase up to $6.0 million of our common stock over a 30-month period, subject to a 6-month extension or earlier termination at our discretion. This agreement replaced an earlier common stock purchase agreement between Atlantic and Fusion Capital dated March 16, 2001. Fusion's obligation to purchase Atlantic shares is subject to certain conditions, including the effectiveness of a registration statement covering the shares to be purchased. That registration statement was declared effective on July 6, 2001. The selling price of the shares will be equal to the lesser of (1) $20.00 or (2) a price based upon the future market price of the common stock, without any fixed discount to the market price. A material contingency that may affect our operating plans and ability to raise funds is our stock price. If our stock price remains at current levels, we will be limited in the amount of funds we will be able to draw on under the Fusion Capital agreement. As the Fusion Capital agreement is currently structured, we cannot guarantee that we will be able to draw on any funds. We paid a $120,000 finder's fee relating to this transaction to Gardner Resources, Ltd. and issued to Fusion Capital Fund II, LLC 600,000 common shares as a commitment fee. Those shares had an estimated fair value of $444,000. We have amended our agreement with Fusion Capital to allow Atlantic to draw funds pursuant to the agreement regardless of its listing status on the Nasdaq SmallCap Market.

Our available working capital and capital requirements will depend upon numerous factors, including progress of our research and development programs; our progress in and the cost of ongoing and planned preclinical and clinical testing; the timing and cost of obtaining regulatory approvals; the cost of filing, prosecuting, defending, and enforcing patent claims and other intellectual property rights; competing technological and market developments; changes in our existing collaborative and licensing relationships; the resources that we devote to developing manufacturing and commercializing capabilities; technological advances; the status of our competitors; our ability to establish collaborative arrangements with other organizations; and our need to purchase additional capital equipment.

At June 30, 2001, we had $1,030,363 in cash and cash equivalents and working capital of $333,300. We anticipate that our current resources will be sufficient to finance our anticipated needs for operating and capital expenditures at our present level of operations for at least the next several months. In addition, we will attempt to

generate additional capital through a combination of collaborative agreements, strategic alliances, and equity and debt financing. However, we can give no assurance that we will be able to obtain additional capital through these sources or upon terms acceptable to us.

We have the following short term and long term liquidity needs. Our cash utilized for operations for the next year is expected to be approximately $200,000 per month. Currently, these expected operating expenses include approximately $70,000 per month for research and preclinical development expenses and approximately $130,000 for general and administrative expenses. Based on our cash position of $1,030,363 at June 30, 2001, we will either have to raise additional funds within the next few months to fund our current spending requirements or we will have to reduce or eliminate the planned levels of development activities. Since we do not have significant fixed cash commitments, we have the option of significantly cutting or delaying our development activities as may be necessary. A material contingency that may affect our operating plans and ability to raise funds is our stock price. If our stock price remains at current levels, we will be limited in the amount of funds we will be able to draw on under the Fusion Capital agreement. Our stock price is currently below the floor price of $0.68 and as a result we are currently unable to draw funds pursuant to the Fusion Capital agreement. If our stock price rises above $0.68, we will be able to begin drawing funds in the amount of up to $200,000 per month from Fusion Capital, subject to certain conditions. As the Fusion Capital agreement is currently structured, we cannot guarantee that we will be able to draw on any funds. If we are unable to draw funds from Fusion Capital, we will seek alternative funding sources. These funding sources include seeking other equity financing and working toward licensing CT-3 later in 2001.

On August 9, 2001, we retained Proteus Capital Corp. as our investment bankers to assist us with raising additional funds.

We are at risk of being delisted from the Nasdaq SmallCap Market. As of March 20, 2001, we had the thirtieth consecutive business day that the minimum bid price of our common stock was less than $1.00. This constitutes a failure on our part to meet Nasdaq's continued inclusion requirement for minimum bid price. On March 22, 2001, Nasdaq notified us of this failure, and we had a period of 90 calendar days from that notice to comply with the continued inclusion standard for minimum bid price. Our common stock's minimum bid price has remained below $1.00. On August 9, 2001, we had a hearing with Nasdaq's Listing Qualifications Panel at which it was determined that our stock would be delisted subsequently on an unspecified date. Shares of our stock would still be able to be traded on the bulletin board. This could materially and adversely affect our ability to raise additional funding.

RESEARCH AND DEVELOPMENT ACTIVITIES

Optex and the Catarex(TM) Technology

Our majority-owned (81.2%) subsidiary, Optex, is entitled to royalties and other revenues in connection with commercialization of the Catarex technology. Bausch & Lomb, a multinational ophthalmics company, is developing this technology to overcome the limitations and deficiencies of traditional cataract extraction techniques. Optex had been the owner of this technology and was developing it pursuant to a development agreement with Bausch & Lomb, but on March 2, 2001, Optex sold to Bausch & Lomb substantially all of its assets (mostly intangible assets with no book value), including those related to the Catarex technology.

Bausch & Lomb, which has committed over $15 million on the project to date, has assumed full responsibility for development and marketing of the technology, and will pay Optex royalties on sales of the device and associated system. Bausch and Lomb has informed us that it expects to begin human clinical trials of the device in the third quarter of 2001 at a variety of investigation sites, and that it is working to develop the next-generation handpiece in order to integrate the Catarex device with its Millenium Surgical platform.

CT-3 Anti-inflammatory/Analgesic Compound

We are developing our proprietary compound CT-3, a patented synthetic derivative of carboxylic tetrahydrocannabinol (THC-7C), as an alternative to nonsteroidal anti-inflammatory drugs, or "NSAIDs," such as aspirin and ibuprofen. Over 130 million Americans suffer from chronic pain and 40 million suffer from arthritis, and worldwide prescription sales of analgesic/anti-inflammatory drugs exceeded $9 billion in 1999. Preliminary studies

have shown that CT-3 demonstrates analgesic/anti-inflammatory properties at microgram doses without central nervous system or gastrointestinal side effects and also reduces joint damage caused by rheumatoid arthritis.

Since CT-3 appears to possess a wide range of therapeutic activity, we are carefully choosing an indication that we feel CT-3 would be most efficacious for and one that will strategically allow us to increase the licensing value of CT-3 in the most timely and cost effective manner. We are continuing our efforts by conducting additional preclinical tests to study the analgesic activity of CT-3, particularly with reference to neuropathic pain. We are planning to initiate shortly a Phase I/II clinical trial of safety, tolerability, and efficacy to determine the upper limits of safe dosing with CT-3 and to measure the potential for CT-3 to act as a pain reliever in patients with neuropathic pain. In addition, we have recently initiated a development plan for CT-3 to test its efficacy in multiple sclerosis. We are currently testing these assumptions by conducting preliminary studies in animal models predictive of efficacy in humans. We are also preparing to conduct Phase II clinical trials to evaluate the efficacy of CT-3 in multiple sclerosis-associated tremors and spasticity.

We are continuing to develop CT-3 for use in the treatment of a variety of indications. After completion of the Phase I clinical trial we increased our efforts to sublicense CT-3, to suitable strategic partners to assist in clinical development, regulatory approval filing, manufacturing and marketing of CT-3.
Gemini and the 2-5A Antisense Technology

CryoComm(TM) Ultra High Speed Superconducting Electronics for Fiber-Optic Data Transport and Routing

On May 1, 2001, we announced that we are expanding our involvement in superconducting electronics technology by launching a new wholly-owned subsidiary, CryoComm, Inc. CryoComm is currently the only company developing terabit superconducting electronics for Internet packet switching and transport products to sustain future growth of the Internet. This technology will solve a major problem for large carriers: how to increase network capacity and remain profitable. The benefits of this technology include quality of service, traffic grooming, real-time provisioning and software-defined functionality that cannot be realized in conventional fiber-optic network switches. And such a system could be smaller, consume less power, use less fiber bandwidth, and cost less than semiconductor switches having the same capacity.

CryoComm is currently developing and identifying all the elements for the demonstration of an ultrafast fiber-optic packet switch based in superconducting electronics. In particular, the company has a design for the superconducting chip that will be at the core of the demonstration. CryoComm is now seeking a directed investment of $5 million from private funding sources to demonstrate 320 gigabit per second switch capacity in a single chip in year 2002. The company has presented this plan to major global long-haul telecommunications carriers, and their responses have been uniformly positive and they have encouraged the company to proceed with this development.

PART II -- OTHER INFORMATION

Item 5. Other Information

Risk of Delisting

We are at risk of being delisted from the Nasdaq SmallCap Market.

As of March 20, 2001, the minimum bid price of our common stock had been less than $1.00 for 30 consecutive business days. This constituted a failure on our part to meet Nasdaq's continued inclusion requirement for minimum bid price.

On March 22, 2001, Nasdaq notified us of this failure, and we had a period of 90 calendar days from that notice to comply with the continued inclusion standard for minimum bid price. To do so, we would have had to meet that standard for a minimum of 10 consecutive business days during the 90-day compliance period. We failed to do so, and on June 21, 2001, Nasdaq notified us that we would be delisted on June 29, 2001, unless by June 28, 2001, we request a hearing before Nasdaq's Listing Qualifications Panel.

On June 28, 2001, we requested a hearing, and that hearing was held on August 9, 2001. The delisting of our common stock has been stayed pending the Panel's decision. At the hearing, we requested, based on our particular circumstances, an extension of the time allotted to raise our share price. There can be no assurance the Panel will grant our request.

Item 6: Exhibits and Reports on Form 8-K

Exhibits

The following documents are referenced or included in this report.

Exhibit No.	Description
3.1(1)	Certificate of incorporation of Atlantic, as amended to date.
3.2(1)	Bylaws of Atlantic, as amended to date.
3.3(5)	Certificate of designations of Series A Convertible Preferred Stock.
3.4(6)	Certificate of increase of Series A Convertible Preferred Stock.
3.5(9)	Certificate of designations, preferences and rights of Series B convertible preferred stock of Atlantic, filed on September 28, 2000.
3. 6(9)	Certificate of amendment of the certificate of designations, preferences and rights of Series B convertible preferred stock of Atlantic, filed on November 17, 2000.
3.7(10)	Certificate of amendment of the certificate of designations, preferences and rights of Series B convertible preferred stock of Atlantic, filed on January 9, 2001.
3.8(10)	Certificate of amendment of the certificate of designations, preferences and rights of Series B convertible preferred stock of Atlantic, filed on January 19, 2001.
4.2(1)	Form of unit certificate.
4.3(1)	Specimen common stock certificate.
4.4(1)	Form of redeemable warrant certificate.

4.5(1)	Form of redeemable warrant agreement by and between Atlantic and Continental Stock Transfer & Trust Company.
4.6(1)	Form of underwriter's warrant certificate.
4.7(1)	Form of underwriter's warrant agreement by and between Atlantic and Joseph Stevens & Company, L.P.
4.8(1)	Form of subscription agreement by and between Atlantic and the Selling Stockholders.
4.9(1)	Form of bridge note.
4.10(1)	Form of bridge warrant.
4.11(2)	Investors' rights agreement by and among Atlantic, Dreyfus Growth and Value Funds, Inc. and Premier Strategic Growth Fund.
4.12(2)	Common stock purchase agreement by and among Atlantic, Dreyfus Growth and Value Funds, Inc. and Premier Strategic Growth Fund.
10.2(1)	Employment agreement dated July 7, 1995, between Atlantic and Jon D. Lindjord.
10.3(1)	Employment agreement dated September 21, 1995, between Atlantic and Dr. Stephen R. Miller.
10.4(1)	Employment agreement dated September 21, 1995, between Atlantic and Margaret A. Schalk.
10.5(1)	Letter agreement dated August 31, 1995, between Atlantic and Dr. H. Lawrence Shaw.
10.6(1)	Consulting agreement dated January 1, 1994, between Atlantic and John K. A. Prendergast.
10.8(1)	Investors' Rights agreement dated July 1995, between Atlantic, Dr. Lindsay A. Rosenwald and VentureTek, L.P.
10.9(1)	License and assignment agreement dated March 25, 1994, between Optex Ophthalmologics, Inc., certain inventors and NeoMedix Corporation, as amended.
10.10(1)	License agreement dated May 5, 1994, between Gemini Gene Therapies, Inc. and the Cleveland Clinic Foundation.
10.11(1)+	License agreement dated June 16, 1994, between Channel Therapeutics, Inc., the University of Pennsylvania and certain inventors, as amended.
10.12(1)+	License agreement dated March 28, 1994, between Channel Therapeutics, Inc. and Dr. Sumner Burstein.
10.13(1)	Form of financial advisory and consulting agreement by and between Atlantic and Joseph Stevens & Company, L.P.
10.14(1)	Employment agreement dated November 3, 1995, between Atlantic and Shimshon Mizrachi.
10.15(3)	Financial advisory agreement between Atlantic and Paramount dated September 4, 1996 (effective date of April 15, 1996).
10.16(3)	Financial agreement between Atlantic, Paramount and UI USA dated June 23, 1996.
10.17(3)	Consultancy agreement between Atlantic and Dr. Yuichi Iwaki dated July 31, 1996.

10.18(3) 1995 stock option plan, as amended.

10.19(3) Warrant issued to an employee of Paramount Capital, LLC to purchase 25,000 shares of Common Stock of Atlantic.

10.20(3) Warrant issued to an employee of Paramount Capital, LLC to purchase 25,000 shares of Common Stock of Atlantic.

10.21(3) Warrant issued to an employee of Paramount Capital, LLC to purchase 12,500 shares of Common Stock of Atlantic.

10.22(4) Letter agreement between Atlantic and Paramount Capital, Inc. dated February 26,1997.

10.23(4) agreement and plan of reorganization by and among Atlantic, Channel Therapeutics, Inc. and New Channel, Inc. dated February 20, 1997.

10.24(4) Warrant issued to John Prendergast to purchase 37,500 shares of Atlantic's Common Stock.

10.25(4) Warrant issued to Dian Griesel to purchase 24,000 shares of Atlantic's Common Stock.

10.26(7) Amendment No. 1 to development & license agreement by and between Optex and Bausch & Lomb Surgical, Inc. dated September 16, 1999.

10.27(8) Financial advisory and consulting agreement by and between Atlantic and Joseph Stevens & Company, Inc. dated January 4, 2000.

10.28(8) Warrant No. 1 issued to Joseph Stevens & Company, Inc. to purchase 150,000 shares of Atlantic's Common Stock exercisable January 4, 2000.

10.29(8) Warrant No. 2 issued to Joseph Stevens & Company, Inc. to purchase 150,000 shares of Atlantic's Common Stock exercisable January 4, 2001.

10.30(8) Warrant No. 3 issued to Joseph Stevens & Company, Inc. to purchase 150,000 shares of Atlantic's Common Stock exercisable January 4, 2002.

10.31(9) Preferred stock purchase agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc.

10.32(9) Warrant certificate issued May 12, 2000, by Atlantic to TeraComm Research, Inc.

10.33(9) Stockholders agreement dated May 12, 2000, among TeraComm Research, Inc., the common stockholders of TeraComm, and Atlantic.

10.34(9) Registration rights agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc. with respect to shares of TeraComm preferred stock issued to Atlantic.

10.35(9) Registration rights agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc. with respect to shares of Atlantic common stock issued to TeraComm.

10.36(9) Employment agreement dated as of April 10, 2000, between Atlantic and A. Joseph Rudick.

10.37(9) Employment agreement dated as of April 3, 2000, between Atlantic and Frederic P. Zotos.

10.38(9) Employment agreement dated as of April 10, 2000, between Atlantic and Nicholas J. Rossettos, as amended.

10.39(9) Employment agreement dated as of May 15, 2000, between Atlantic and Walter Glomb.

10.40(9) Employment agreement dated as of April 18, 2000, between Atlantic and Kelly Harris.

10.41(10) Amendment dated as of July 18, 2000, to the Preferred Stock Purchase agreement dated May 12, 2000, between Atlantic and TeraComm Research, Inc.

10.42(10) Convertible preferred stock and warrants purchase agreement dated September 28, 2000, among Atlantic, BH Capital Investments, L.P. and Excalibur Limited Partnership.

10.43(10) Registration rights agreement dated September 28, 2000, among Atlantic, BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.44(10) Escrow agreement dated September 28, 2000, among Atlantic, BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.45(10) Form of stock purchase warrants issued on September 28, 2000, to BH Capital Investments, L.P., exercisable for shares of common stock of Atlantic.

10.46(10) Form of stock purchase warrants issued on September 28, 2000, to Excalibur Limited Partnership, exercisable for shares of common stock of Atlantic.

10.47(10) Amendment No. 1 dated October 31, 2000, to convertible preferred stock and warrants purchase agreement dated September 28, 2000, among Atlantic, BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.48(12) Stock repurchase agreement dated December 4, 2000, among Atlantic, BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.49(14) Letter agreement dated December 28, 2000, among Atlantic and BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.50(11) Amendment No. 2 dated January 9, 2001, to convertible preferred stock and warrants purchase agreement dated September 28, 2000, among Atlantic, BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.51(14) Amendment No. 1 dated January 9, 2001, to registration rights agreement dated September 28, 2000, among Atlantic and BH Capital Investments, L.P. and Excalibur Limited Partnership.

10.52(11) Amendment No. 3 dated January 19, 2001, to convertible preferred stock and warrants purchase agreement dated September 28, 2000, among Atlantic, BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.53(14) Letter agreement dated January 25, 2001, among Atlantic and BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.54(13) Stock repurchase agreement No. 2 dated March 9, 2001, among Atlantic, BH Capital Investments, L.P., and Excalibur Limited Partnership.

10.55(15) Common stock purchase agreement dated March 16, 2001, between Atlantic and Fusion Capital Fund II, LLC.

10.56(15) Warrant certificate issued March 8, 2001 by Atlantic to Dian Griesel.

10.57(16) Common stock purchase agreement dated as of May 7, 2001, between Atlantic and Fusion Capital Fund II, LLC.

10.58(16) Form of registration rights agreement between Atlantic and Fusion Capital Fund II, LLC.

10.59* Asset purchase agreement dated as of April 23, 2001, between Atlantic, Gemini Technologies, Inc., and IFN, Inc.

21.1(1) Subsidiaries of Atlantic.

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+ Confidential treatment has been granted as to certain portions of these exhibits.

* Filed herewith.

(1) Incorporated by reference to exhibits of Atlantic's registration statement on Form SB-2, Registration #33-98478, as filed with the Securities and Exchange Commission (the "SEC") on October 24, 1995 and as amended by Amendment No. 1, Amendment No. 2, Amendment No.3, Amendment No. 4 and Amendment No. 5, as filed with the SEC on November 9, 1995, December 5, 1995, December 12, 1995, December 13, 1995 and December 14, 1995, respectively.

(2) Incorporated by reference to exhibits of Atlantic's Current Report on Form 8-K, as filed with the SEC on August 30, 1996.

(3) Incorporated by reference to exhibits of Atlantic's Form 10-QSB for the period ended September 30, 1996.

(4) Incorporated by reference to exhibits of Atlantic's Form 10-QSB for the period ended March 31, 1996.

(5) Incorporated by reference to exhibits of Atlantic's Current Report on Form 8-KSB, as filed with the SEC on June 9, 1997.

(6) Incorporated by reference to exhibits of Atlantic's Registration Statement on Form S-3 (Registration No. 333-34379), as filed with the Commission on August 26, 1997, and as amended by Amendment No. 1 as filed with the SEC on August 28, 1997.

(7) Incorporated by reference to exhibits of Atlantic Form 10-QSB for the period ended September 30, 1999.

(8) Incorporated by reference to exhibits of Atlantic's Form 10-KSB for the period ended December 31, 1999.

(9) Incorporated by reference to exhibits of Atlantic's Form 10-QSB for the period ended June 30, 2000.

(10) Incorporated by reference to exhibits of Atlantic's Form 10-QSB for the period ended September 30, 2000.

(11) Incorporated by reference to exhibits of Atlantic's Form 8-K filed on January 24, 2001.

(12) Incorporated by reference to exhibits of Atlantic's Form 8-K filed on December 11, 2000.

(13) Incorporated by reference to exhibits of Atlantic's Form 8-K filed on March 14, 2001.

(14) Incorporated by reference to exhibits of Atlantic's Form 10-KSB filed on April 17, 2001.

(15) Incorporated by reference to exhibits of Atlantic's Form 10-QSB for the period ended March 31, 2001.

(6) Incorporated by reference to exhibits of Atlantic's Registration Statement on Form SB-2 (Registration No. 333-61974), as filed with the Commission on May 31, 2001, and as amended by Amendment No. 1 as filed with the SEC on June 29, 2001.

Reports on Form 8-K

On May 16, 2001, Atlantic filed with the SEC a Current Report on Form 8-K stating that on May 4, 2001, there occurred the closing of the sale by Gemini Technologies, Inc., an 85%-owned subsidiary of Atlantic, to IFN, Inc., an affiliate of the Cleveland Clinic Foundation, of substantially all the assets of Gemini. This sale was pursuant to an asset purchase agreement dated April 23, 2001, between Atlantic, Gemini, the Cleveland Clinic Foundation, and IFN, Inc.

On May 23, 2001, Atlantic filed with the SEC a Current Report on Form 8-K stating that on May 21, 2001, Nasdaq advised Atlantic that Atlantic is in compliance with the Marketplace Rules requirement that it have at least $2,000,000 of net tangible assets or $500,000 net income.

SIGNATURES

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

ATLANTIC TECHNOLOGY VENTURES, INC.

Date: August 20, 2001

/s/ Fredric P. Zotos

Frederic P. Zotos
President, Chief Executive Officer, and Director

Date: August 20, 2001

/s/ Nicholas J. Rossettos

Nicholas J. Rossettos
Chief Financial Officer

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of April 23, 2001, by and among ATLANTIC TECHNOLOGY VENTURES, INC., a Delaware corporation ("Seller Parent"), GEMINI TECHNOLOGIES, INC., a Delaware corporation ("Seller" and together with Seller Parent, the "Sellers"), and IFN, INC., an Ohio corporation ("Buyer").

Recitals

Seller is engaged in the business of developing and commercializing early-stage biomedical and pharmaceutical technologies, specifically, a novel antisense technology in the area of Functional Genomics that combines the 2'-5'oligoadenylate complex with standard antisense compounds to form a chimeric molecule (the "Business").

Seller holds an exclusive worldwide license to the following U.S. patents and patent applications: USSN #07/965,666 filed on October 21, 1992 (now abandoned), USSN #08/123,449 (CIP of 07/965,666) (now U.S. Patent 5,583,032), USSN 08/458,050 (divisional) (now U.S. Patent 5,677,289) and USSN 08/950,196 (divisional) (allowed), and any divisions, or continuations thereof, all foreign counterpart applications, and any patents issued thereon, or reissues or extensions thereof (the "Patent Rights"), pursuant to that certain License Agreement by and between The Cleveland Clinic Foundation ("CCF") and predecessor-in-interest to Seller, Protena, Inc., dated May 5, 1994 (the "License Agreement").

Seller prepared, filed and prosecuted the following patent applications on behalf of CCF and the National Institutes of Health in connection with its performance of the License Agreement: USSN 08/801,898 (now U.S. Patent 5,998,602), USSN 08/962,690 (CIP of the foregoing) (allowed), and USSN 09/018,125, and foreign counterparts. These patents and applications and any divisions, or continuations thereof, all foreign counterpart applications, and any patents issued thereon, or reissues or extensions thereof are included in the Patent Rights.

CCF and Sellers are engaged in arbitration proceedings pursuant to CCF's demand for arbitration before the American Arbitration Association, pertaining to a dispute with respect to Seller's performance under the License Agreement (the "Arbitration Demand"). As part of the consideration for Sellers' representations, warranties, covenants and agreements set forth herein, CCF has agreed to withdraw, with prejudice, its Arbitration Demand.

The Seller is operating the Business with the support from the grant 2R44AI46079-02, awarded by the Public Health Services through the National Institutes of Health, entitled "2-5 Antisense Inhibition of Respiratory Synctial Virus," for period from August 15, 2000 to July 31, 2002 (the "PHS Research Grant").

Sellers desire to sell and transfer to Buyer and Buyer desires to purchase from Sellers substantially all of the business and operating assets of Seller comprising, used or associated

with the Business, including the License Agreement and any and all of Seller's interest in the PHS Research Grant, upon the terms and subject to the conditions set forth in this Agreement.

Terms

In consideration of the mutual representations, warranties, covenants, and agreements, and upon the terms and subject to the conditions hereinafter set forth, and intending to be legally bound hereby, the parties do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Certain Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) "Affiliate" of any Person means any Person, directly or indirectly controlling, controlled by or under common control with such Person, and includes any Person who is an officer, director or employee of such Person and any Person that would be deemed to be an "affiliate" or an "associate" of such Person, as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended. As used in this definition, "controlling" (including, with its correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities, partnership or other ownership interests, by contract or otherwise).

(b) "Buyer's Capital Expenditures" means the total cumulative value of any capital and other expenditures incurred by Buyer, CCF or their Affiliates

in the course of the development and advancement of the Patent Rights, whether in cash or in kind, including any funds awarded to Buyer pursuant to any Federal, state, or local government or private grant, contribution or donation. Notwithstanding the foregoing, Buyer's Capital Expenditures shall not include any funds awarded pursuant to the PHS Research Grant. The value of any in kind contribution shall be deemed to be equal to its fair market value.

(c) "Confidential Information" means all trade secrets, information, data, know-how, systems and procedures of a technical, sensitive or confidential nature in any form relating to Buyer or Seller.

(d) "Damages" means the aggregate amount of all damages, claims, losses, obligations, liabilities (including any governmental penalty or fines), deficiencies, interest, costs and expenses arising out of or relating to a matter and any actions, judgments, costs and expenses (including reasonable attorneys' fees and all other expenses incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened) incident to such matter or to the enforcement of this Agreement.

(e) "Lien" means any lien, encumbrance, security interest, mortgage, pledge, charge, conditional sale or other title retention agreement, preemptive right, easement, covenant, license, option, right of first refusal, title defect, or claim of any kind whatsoever.

(f) "Material Adverse Effect" means any change or circumstances (or series of related changes or circumstances) which cause or is reasonably likely to cause a material adverse change (i) in the assets, liabilities, operations, business, results of operations, financial condition or prospects of Seller or the Business, (ii) in the ability of Sellers to consummate the transactions contemplated hereby or (iii) in the ability of Buyer to continue to operate the Business immediately after the Closing in substantially the same manner as such Business is conducted prior to the Closing.

(g) "Permitted Liens" means (i) liens for current taxes not yet due, and (ii) with respect to the Real Estate, imperfections of title, easements and zoning restrictions, if any, which do not affect the uses and purposes to which the Real Estate is currently employed or materially impair the continuation of the current operations of the Business.

(h) "Person" means any individual, corporation, partnership, limited liability company, joint venture, association, trust or other entity or organization.

ARTICLE II

PURCHASE AND SALE OF ASSETS

Section 2.1. Purchase and Sale. Upon the terms and subject to the conditions of this Agreement and in reliance upon the representations and warranties contained herein, Seller hereby agrees to sell, transfer, assign, convey and deliver to Buyer on the Closing Date, and Buyer hereby agrees to purchase from Seller on the Closing Date, free and clear of all Liens, other than Permitted Liens, all of the assets, properties and rights of Seller constituting, or used in or otherwise material to the conduct of the Business, except as specifically set forth in Section 2.2, wherever such assets and rights are located including, but not limited to, all of the assets, properties and rights of the Business set forth below (the "Purchased Assets"):

(a) the leases and other rights of Seller (collectively, the "Leases") to occupy the real property listed on Schedule 2.1(a) (the "Real Estate");

(b) all of the rights under all written contracts, contractual rights, agreements, leases, purchase orders, sales orders, warranty rights, instruments and arrangements, which relate to the Business, including the License Agreement and those identified on Schedules 2.1(b) (the "Contracts");

(c) all of the scientific equipment and compounds, removable fixtures, furniture and office equipment, communications equipment, computers and office supplies, including those identified on Schedule 2.1(c), used, held for use in, or related to the conduct of the Business (except the assets listed in Schedule 2.2(d)) and any rights to the warranties and

licenses received from the manufacturers and distributors of such equipment and to any related claims, credits, causes of action, rights of recovery and set-off arising with respect to such items;

(d) all of the governmental grants, permits, certificates of inspection, certificates of occupancy, building permits, variances and other licenses or permits, approvals or other authorizations currently issued to Seller or Seller Parent with respect to the Business and which are used in, held for use in, or necessary or material to, or which are otherwise required by law for, the operation of the Business to be transferred to Buyer (the "Governmental Permits"), including without limitation, the PHS Research Grant and those Governmental Permits described and identified in Schedule 2.1(d);

(e) except to the extent set forth in Section 2.2(i), all patents, trademarks, symbols, service marks, registrations, copyrights and applications for any of the foregoing owned by, or licensed to Seller and used in the Business, including the Patent Rights;

(f) all of the rights, claims or causes of action of Seller against third Persons to the extent they relate to the Business or the Purchased Assets, except for the claims listed in Schedule 2.2(f); and

(g) except to the extent provided in Section 2.2(a), all books, research logs, notebooks, and records of Seller relating to the Business including without limitation, those relating to the PHS Research Grant, any market studies relating to 2-5A antisense for RSV or telomerase, including 2-5A Antisense Development Plan for RSV prepared by Hoyle Consulting, and any software and information management systems used or held for use in or related to the conduct of the Business, including any documentation and manuals related thereto (the "Business Records").

Section 2.2. Excluded Assets. It is hereby expressly acknowledged and agreed that the Purchased Assets shall not include, and Seller shall not sell, transfer or assign to Buyer, and Buyer shall not purchase or acquire from Seller, the following assets (the "Excluded Assets"):

(a) the minute books, stock transfer books, corporate seal and other books and records of Seller that Sellers or any of their Affiliates are required by law to retain;

(b) all of Seller's bank accounts;

(c) any claim, right or interest of Seller in and to any refund for Taxes, together with any interest due Seller thereon, for any periods prior to the Closing Date;

(d) all assets located at the Real Estate owned by third parties, which assets are listed on Schedule 2.2(d);

(e) all of Seller's rights under the contracts and agreements listed on Schedule 2.2(e) (the "Excluded Contracts"");

(f) all of Seller's rights in any contract or arrangement representing an intercompany transaction between Seller and Seller Parent or any Affiliate of Seller Parent, which contracts and arrangements are listed on Schedule 2.2(f);

(g) all of the rights, claims or causes of action of Seller against third Persons to the extent they relate to the Excluded Assets and are listed in Schedule 2.2(g);

(h) all rights, title and interests in or to the names "Gemini" or any derivation thereof, as well as any related or similar name, and any other related trade names, trademarks, service marks, corporate names and logos or any part, derivation, colorable imitation or combination thereof; and

(i) all of the items listed on Schedule 2.2(i).

Section 2.3. Non-Assumption of Liabilities. Buyer shall not assume, and shall not become liable for, any debts, liabilities, or obligations of Sellers whatsoever, except the liabilities and obligations of Seller under the Contracts and the Leases to the extent such liabilities and obligations arise after the Closing and relate to the performance of the Contracts or the Leases after the Closing. For purposes hereof, the term "liabilities" shall mean any liabilities, obligations, losses, consequential damages (including, without limitation, punitive damages), claims, costs, expenses (including, without limitation, reasonable legal costs and expenses), interest, awards, judgments, fines and penalties.

Section 2.4. Closing Date, Time and Place. The closing of the transactions contemplated by this Agreement (the "Closing"), shall take place at the offices of Squire, Sanders & Dempsey L.L.P., 4900 Key Tower, 127 Public Square, Cleveland, Ohio at 10:00 a.m., local time, on April 30, 2001 (the "Closing Date"), or at such other time and location as Seller and Buyer shall mutually agree in writing.

Section 2.5. Purchase Price. Buyer shall pay Seller for the Purchased Assets and the other agreements of Seller stated herein, an amount equal to twenty percent (20%) of all amounts to which CCF is entitled pursuant to the License Agreement (the "Consideration"), paid on a quarterly basis, subject to the adjustments described below (the "Purchase Price"). Buyer and CCF agree that the Consideration shall not be reduced by any amendment to the License Agreement and that they shall not terminate the License Agreement.

Section 2.6. Purchase Price Adjustment. The Purchase Price shall be reduced by one percent (1%) of the Sublicense Fees for each One Hundred and Fifty Thousand Dollars ($150,000) of the Buyer's Capital Expenditures. Any reduction in the Purchase Price pursuant to this Section 2.6 shall be effective retroactively from the beginning of the fiscal quarter of Buyer during which any applicable increase of the Buyer's Capital Expenditures occurs. Notwithstanding the foregoing, in no case shall the Purchase Price be reduced below five percent (5%) of the Sublicense Fees.

Section 2.7. Deliveries.

(a) At the Closing, Sellers will deliver to Buyer:

(i) A duly executed Bill of Sale and Conveyance for the Purchased Assets, substantially in the form of Exhibit A hereto (the "Bill of Sale and Conveyance");

(ii) All executed consents and approvals required to be obtained in connection with the transactions contemplated hereby;

(iii) A certificate, dated the date hereof, in form and substance satisfactory to Buyer, of the Secretary or an Assistant Secretary of Seller, certifying (A) that attached thereto is a complete and correct copy of the articles of incorporation of Seller, as amended to date, (B) that attached thereto is a complete and correct copy of the bylaws of Seller, as amended to date, (C) that attached thereto is a complete and correct copy of resolutions adopted by the board of directors and the stockholders of Seller and Seller Parent, as applicable, authorizing the execution, delivery and performance of this Agreement and all other agreements executed in connection herewith by Seller or Seller Parent, as applicable, and the transfer of the Purchased Assets to Buyer hereunder, and that such resolutions, approvals and consents have not been amended or modified in any respect and remain in full force and effect as of the date thereof, and (D) that the persons named therein are duly elected, qualified and acting officers of Seller or Seller Parent, as applicable, and that set forth therein is a genuine signature or true facsimile thereof for each such officer;

(iv) A certificate of an authorized officer of Seller, dated as of the Closing Date, certifying that the conditions contained in Sections 6.1(a) and 6.1(b) have been fulfilled pursuant to Section 6.1(c);

(v) A fully executed assignment of the Leases, with landlord consent, if required, (the "New Lease"); and

(vi) A fully executed mutual release among CCF, on the one hand, and Atlantic and Gemini, on the other, acknowledging the full and complete mutual release of each party thereto and their respective employees, agents and affiliates from any and all claims, actions or proceedings, know or unknown, arising from the beginning of time until the Closing Date (the "Mutual Release"). The Mutual Release shall not release any party to this Agreement from any obligations, duties, liabilities, claims, actions or proceedings pursuant to the terms and conditions hereof or arising herefrom.

(b) Deliveries by Buyer. At the Closing, the Buyer will deliver to Seller:

(i) The Bill of Sale and Conveyance;

(ii) A certificate, dated the date hereof, in form and substance satisfactory to Sellers, of the Secretary or an Assistant Secretary of Buyer certifying (A) that attached thereto is a complete and correct copy of resolutions adopted by the board of directors

of Buyer authorizing the execution, delivery and performance of this Agreement and all other agreements executed in connection herewith by Buyer, and that such resolutions, approvals and consents have not been amended or modified in any respect and remain in full force and effect as of the date thereof, and (B) that the persons named therein are duly elected, qualified and acting officers of Buyer and that set forth therein is a genuine signature or true facsimile thereof for each such officer;

(iii) A certificate of an authorized officer of Buyer, dated as of the Closing Date, certifying that the conditions contained in Sections 6.2(a) and 6.2(b) have been fulfilled pursuant to Section 6.2(c);

(iv) The New Lease;

(v) Notice of withdrawal of the Arbitration Demand, with prejudice, providing for each party thereto to pay its own costs and attorney's fees; and

(vi) The Mutual Release.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers, jointly and severally, hereby represent and warrant to Buyer as follows:

Section 3.1. Authorization; Binding Agreement. Each of Seller and Seller Parent has full corporate power and authority to execute, deliver and perform this Agreement and each other document or instrument contemplated hereby, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement by each of Seller and Seller Parent have been duly authorized by all necessary corporate action on the part of Seller or Seller Parent, as applicable. This Agreement and each other document or instrument executed by the Seller or Seller Parent in connection herewith, has been duly executed and delivered by each of Seller and Seller Parent, and constitutes the legal, valid and binding obligation of each of Seller and Seller Parent enforceable in accordance with its terms.

Section 3.2. No Violation of Laws or Agreements. Except as set forth in Schedule 3.2, the execution, delivery and performance by Sellers of this Agreement and any other documents or instruments contemplated hereby, do not and will not: (a) violate or conflict with or result in a breach of any provision of the Certificate of Incorporation or Bylaws (or similar documents) of Sellers, as such instruments are currently in effect; (b) require any consent, waiver, approval, authorization or permit of, or filing with or notification to, or any other action by, any public body or entity; (c) violate any provision of applicable law, statute, rule or regulation, or any order, writ, judgment, injunction, decree of any court or other tribunal applicable to Sellers; or (d) result in a violation or breach of, or constitute (with or without the giving of notice or the lapse of time or both) a default (or give rise to any right of termination, modification, cancellation or acceleration or result in the creation or imposition of any Lien upon

the property of Seller) under any material agreement, note, bond or indenture by which Sellers or any of their respective properties or assets is bound.

Section 3.3. Assets. Seller has good and marketable title to, or leasehold interest in, all of the tangible Purchased Assets free and clear of any Liens other than Permitted Liens, and has full power and authority to transfer all right, title and interest in and to the Purchased Assets, and the delivery to Buyer of the Assets in the manner contemplated by this Agreement will transfer to Buyer valid title to the Assets, free and clear of all Liens, except for Permitted Liens. The Purchased Assets and the Excluded Assets constitute all of the properties and assets used in connection with the Business, are sufficient to operate the Business as presently conducted and are in sufficiently good condition and repair to operate the Business after the Closing as it was operated prior to the Closing.

Section 3.4. PHS Research Grant. The Seller is in compliance with all the requirements and conditions under the PHS Research Grant. The remaining balance on the PHS Research Grant available to the Seller is no less than Five Hundred Thousand Dollars ($500,000).

Section 3.5. Real Estate. Seller is the lessee under the Lease, and no party other than Seller has any right to possession, occupancy or use of any of the Real Estate. The Seller has a good and valid leasehold as to the Real Estate, free and clear of all Liens. The Lease with respect to the Real Estate is in full force and effect. All terms, conditions, and provisions of the Lease to be performed have been duly and timely performed and complied with by the Seller and the other parties thereto. No default has occurred and no event has occurred or failed to occur which with the giving of notice, the passage of time, or both, would constitute a material default with respect to such Lease. Except as set forth in Schedule 3.5, there are no security deposits or prepaid rent (including last month's rent in advance) with respect to the Real Estate. True and complete copy of the Lease, including all amendments have been delivered to Buyer, and no changes have been made to the Lease since the date of such delivery. Except as set forth in Schedule 3.5, the rent and all other charges and amounts currently due and payable under the Lease have been paid to date.

Section 3.6. Personal Property. Except as set forth on Schedule 3.6, the items of personal property included in the Purchased Assets are in good operating condition, free of any defects except those resulting from normal wear and operation, none of which defects, individually or in the aggregate, reasonably could be expected to have a Material Adverse Effect.

Section 3.7. Compliance with Laws. The operations of Seller have been conducted in compliance in all material respects with applicable laws and regulations, other than such non-compliance which would not have a Material Adverse Effect. Except as disclosed in Schedule 3.7, all Governmental Permits have been obtained and are in full force and effect and are being complied with in all material respects except for such which, individually or in the aggregate, would not have a Material Adverse Effect. No proceeding which might involve the revocation or termination of any Governmental Permit is pending or, to the knowledge of Seller, threatened.

Section 3.8. Litigation; Claims.

(a) Except as set forth in Schedule 3.8, there is no pending or, to the knowledge of Sellers, threatened claim, arbitration proceeding, action, suit, investigation or other proceeding against or involving Seller or its assets, at law or in equity, by or before any court in respect of the Business or the Purchased Assets.

(b) There are currently no outstanding judgments, decrees or orders of any court or any governmental or administrative agency to which either Seller is a party or is bound, that could adversely affect the right, title or interest of Sellers to the Business or the Purchased Assets.

(c) The Sellers have no knowledge of any fact or circumstance which could reasonably be expected to result in any other claim, action, cause of action, suit, proceeding, inquiry, investigation or order being filed against the Seller which might have a Material Adverse Effect.

(d) The Sellers have not received notice or information of any claim or allegation of personal death or personal injury, property or economic damage, any claim for punitive or exemplary damages, any claim for contribution or indemnification, or any claim for injunctive relief in connection with any service provided by the Seller.

(e) No claim, action, suit, proceeding, inquiry or investigation has been instituted which threatens to restrain or prohibit or to otherwise challenge the legality or validity of the transactions contemplated by this Agreement or the other documents or agreements contemplated hereby.

(f) Except as set forth in Schedule 3.8, the operation of the Business by the Sellers does not, to the knowledge of Sellers, infringe upon the proprietary rights of others, including without limitation any intellectual property rights such as trademarks, service marks, copyrights, patents, and trade names and the Sellers have not received any notice alleging that the Seller has infringed on any other party's intellectual property rights in the conduct of the Business.

(g) In connection with the operation of the Business, the Sellers have not given any indemnification for infringement of any other party's intellectual property rights, except for standard clauses in software licensing agreements.

(h) The Sellers have no knowledge of any limitation to the continued and/or expanded use of any trademarks, service marks, trade names or other intellectual property owned by the Sellers used in the Business.

Section 3.9. No Brokers or Finders. Neither Sellers nor any of their respective Affiliates (a) has employed (or will employ) any broker or finder, or (b) has incurred (or will incur) any liability for any brokerage fees, commissions or finders' fees or expenses or indemnification or similar obligations in connection with the transactions contemplated by this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Seller and Seller Parent as follows:

Section 4.1. Authorization; Binding Agreement. Buyer has full corporate power and authority to execute, deliver and perform this Agreement and each other document or instrument contemplated hereby, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement by Buyer have been duly authorized by all necessary corporate action on the part of the Buyer. This Agreement, and each other document or instrument executed by the Buyer in connection herewith, has been duly executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer, enforceable in accordance with its terms.

Section 4.2. No Violations. The execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions contemplated hereby do not and will not (i) result in a breach or violation of any provision of the Articles of Incorporation or Bylaws (or similar documents) of Buyer, as such instruments are currently in effect; and (ii) will not result in a breach of, or constitute a default under, any agreement or other document to which Buyer is bound which would materially affect the ability of Buyer to perform its obligations hereunder or to consummate the transactions contemplated hereby.

Section 4.3. No Brokers or Finders. Neither Buyer nor any of its Affiliates (a) has employed (or will employ) any broker or finder, or (b) has incurred (or will incur) any liability for any brokerage fees, commissions or finders' fees or expenses or indemnification or similar obligations in connection with the transactions contemplated by this Agreement.

ARTICLE V

COVENANTS

Section 5.1. Access to Information. Prior to the Closing, Buyer may make such investigation of the Business and properties of the Seller as Buyer may determine is reasonably necessary, and upon reasonable notice, the Seller shall give to Buyer and its representatives reasonable access, during normal business hours throughout the period prior to the Closing, to the property, books, commitments, agreements, records, files and personnel of the Seller or Seller Parent (but only to the extent they relate to the Seller or the Business), and the Seller shall furnish to Buyer during that period all copies of documents and information concerning the Seller as Buyer may reasonably request subject to applicable law.

Section 5.2. Confidentiality.

(a) From and after the Closing, Seller and Seller Parent shall, and shall cause their Affiliates and representatives to, keep confidential and not disclose to any other Person or use for Seller's own benefit or the benefit of any other Person any Confidential Information in its or their possession or control regarding the Business. The obligations of Seller and Seller Parent under this Section 5.2(a) shall not apply to information which (i) is or becomes generally available to the public without breach of the commitment provided for in this Section; (ii) was independently developed by Seller and Seller Parent; or (iii) is required to be disclosed by law, order or regulation of a court or tribunal or governmental authority; provided, however, in the case of clause (iii), Seller or Seller Parent subject to such requirement shall notify Buyer as early as practicable prior to disclosure to allow Buyer to take appropriate measures to preserve the confidentiality of such information.

(b) Upon any termination of this Agreement, each party will promptly either destroy or deliver to the other parties all written Confidential Information held by such party or its representatives.

Section 5.3. Relocation of the PHS Research Grant. Within five (5) days following the date of this Agreement, the Seller shall prepare and submit, in accordance with the regulations of the Department of Health and Human Services and the National Institutes of Health, and any other applicable agency regulations or policies, the documentation meeting the requirements of the National Institutes of Health, including Form PHS-3734, Form 269, Form HHS-568, and any other information required by the National Institute of Health for the relocation of the PHS Research Grant to the Buyer, to ensure that all of Seller's right, title and interest in and to, and all of the Seller's obligations and liabilities under the PHS Research Grant shall be validly conveyed, transferred and assigned to the Buyer. The Seller shall provide to the Buyer promptly any information regarding the Seller required in connection with the relocation request. The Seller shall use all reasonable efforts to obtain all consents and approvals required for the purpose of relocation of the PHS Research Grant to the Buyer.

Section 5.4. Conduct of Business. Prior to the Closing, and except as otherwise contemplated by this Agreement or consented to or approved by Buyer, Sellers covenant and agree that Seller shall operate the Business only in the ordinary course and consistent with past practice, shall maintain in full force and effect all insurance currently maintained by the Seller and shall use commercially reasonable efforts to preserve the properties, business, relationships with its Employees, and shall not undertake any of the following with respect to the Business:

(a) dispose of any Purchased Assets;

(b) create a Lien on any of the Purchased Assets;

(c) talk to, or entertain offers from other potential purchasers of the Seller, and the Seller will notify the Buyer if there are any contacts from third parties who express an interest in purchasing the Seller and identify any such third parties; or

(d) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing.

Section 5.5. Employment Matters. Sellers agree and acknowledge that Buyer will offer employment to certain employees who are employed in connection with the Business (the "Transferred Employees"). Sellers hereby waive any confidentiality, non-competition, or any other restrictive agreements, covenants or conditions with respect to Buyer's employment of any of the Transferred Employees.

Section 5.6. Consent of Third Parties. Sellers agree that on and after the Closing, Sellers will, at the request of Buyer, take all reasonable actions, and do or cause to be done all such things as shall in the reasonable opinion of Buyer or its counsel be necessary or proper (i) to assure that the rights of Seller in any and all of the Purchased Assets shall be preserved for the benefit of Buyer and (ii) to facilitate receipt of the consideration, if any, to be received by Seller with respect to any and all of the Purchased Assets, which consideration shall be held for the benefit of, and shall be delivered to, Buyer.

Section 5.7. Audit Rights. At any time after Buyer enters into any sublicense arrangement pursuant to the License Agreement but no more than twice in any twelve (12) month period, Sellers may, at Sellers' sole expense, examine and audit Buyer's books, financial records and accounts related to the License Agreement and Buyer's Capital Expenditures. Notwithstanding the foregoing, any such examination or audit shall take place (i) only upon three (3) business days' prior written notice to Buyer, (ii) during Buyer's regular business hours; and (iii) at a location determined by Buyer. Sellers shall keep all information referred to in this Section 5.7. confidential in accordance with Section 5.2. hereof.

ARTICLE VI

CONDITIONS TO CLOSING; TERMINATION

Section 6.1. Conditions to Closing Relating to Buyer. The obligation of Buyer at the Closing to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by Buyer on or prior to the Closing Date of each of the following conditions:

(a) Each of the representations and warranties of Sellers contained in this Agreement shall be true and correct in all material respects when made and as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date.

(b) Each of the covenants of Seller to be performed on or prior to the Closing Date shall have been duly performed.

(c) Buyer shall have been furnished with a certificate of an authorized officer of Seller, dated as of the Closing Date, certifying that the conditions contained in Sections 6.1(a) and 6.1(b) have been fulfilled.

(d) The documents referred to in Section 2.7 shall have been delivered to Buyer.

(e) All necessary consents or approvals from any third parties shall have been received.

(f) Approval of the Buyer's Board of Directors of the transactions contemplated by this Agreement.

(g) Between the date hereof and the Closing, there shall have been no material damage or destruction to the Purchased Assets.

Section 6.2. Conditions to Closing Relating to Seller. The obligation of Sellers at the Closing to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by Seller on or prior to the Closing Date of each of the following conditions:

(a) Each of the representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects when made and as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date.

(b) Each of the covenants of Buyer to be performed on or prior to the Closing Date shall have been duly performed.

(c) Seller shall have been furnished with a certificate of an authorized officer of Buyer, dated as of the Closing Date, certifying to the effect that the conditions contained in Sections 6.2(a) and 6.2(b) have been fulfilled.

(d) The documents referred to in Section 2.7. shall have been delivered to the Seller.

(e) All necessary consents or approvals from any third parties shall have been received.

ARTICLE VII

INDEMNIFICATION

Section 7.1. Indemnification.

(a) Seller and Seller Parent hereby, jointly and severaly, agree to indemnify, defend and hold Buyer and its respective officers, directors and other Affiliates harmless from and against and to reimburse such Persons with respect to any one or more of the following:

(i) any and all Damages arising out of or resulting from a misrepresentation or breach of warranty of Sellers contained in this Agreement or

in any exhibit or schedule hereto, or in any other certificate or document furnished or to be furnished to Buyer pursuant hereto;

(ii) any and all Damages arising out of or resulting from any breach of any obligation of Sellers contained in this Agreement;

(iii) claims relating to operations of the Business by Sellers prior to the Closing Date, including, but not limited to, claims based on tort liability, warranty, negligence, strict liability and workers' compensation liability;

(iv) claims for taxes with respect to the conduct of the Business and operations of the Seller prior to the Closing Date; and

(b) Buyer hereby agrees to indemnify, defend and hold Seller and Seller Parent harmless from and against and to reimburse Seller and Seller Parent with respect to any one or more of the following:

(i) any and all Damages arising out of or resulting from a misrepresentation or breach of warranty of Buyer contained in this Agreement or in any certificate or document furnished or to be furnished to Sellers pursuant hereto;

(ii) any and all Damages arising out of or resulting from any breach of any obligation of Buyer contained in this Agreement, whether requiring performance before or after the Closing Date; and

(iii) any and all Damages arising from the operation of the Business or the Purchased Assets after the Closing Date.

Section 7.2. General Indemnification Procedures.

(a) All claims by a party seeking indemnification pursuant to this Article VII (an "Indemnified Party") shall be asserted and resolved as set forth in this Section 7.2. In the event that any written claim or demand for which the party from whom such indemnification is sought (the "Indemnifying Party") would be liable to any Indemnified Party hereunder is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall promptly, but in no event more than fifteen days following such Indemnified Party's receipt of such claim or demand, notify the Indemnifying Party of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand) (the "Claim Notice"). The Indemnifying Party shall have thirty days from the personal delivery or mailing of the Claim Notice (the "Notice Period") to notify the Indemnified Party whether or not it desires to defend the Indemnified Party against such claim or demand. An election to assume the defense of such claim or demand shall not be deemed to be an admission that the Indemnifying Party is liable to the Indemnified Party in respect of such claim or demand. The Indemnified Party shall use its best efforts in the defense of all such claims. Any notice of a

claim by reason of any of the representations, warranties or covenants contained in this Agreement shall state specifically the representation, warranty, or covenant with respect to which the claim is made, the facts giving rise to an alleged basis for the claim, and the amount of the liability asserted against the Indemnifying Party by reason of the claim.

(b) All costs and expenses incurred by the Indemnifying Party in defending such claim or demand shall be a liability of, and shall be paid by, the Indemnifying Party; provided, however, that the amount of such expenses shall be a liability of the Indemnifying Party hereunder, subject to the limitations set forth in this Article VII. In the event that it is ultimately determined that the Indemnifying Party is not obligated to indemnify, defend or hold the Indemnified Party harmless from and against any third-party claim, the Indemnified Party shall reimburse the Indemnifying Party for any and all costs and expenses (including without limitation, attorney's fees and court costs) incurred by the Indemnify Party in its defense of the third-party claim. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such claim or demand, except as hereinafter provided, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings.

(c) If the Indemnified Party desires to participate in, but not control, any such defense or settlement, it may do so at its sole cost and expense. The Indemnified Party shall not settle a claim or demand without the consent of the Indemnifying Party, which shall not be unreasonably withheld. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, settle, compromise or offer to settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnified Party or any subsidiary or Affiliate thereof. If the Indemnifying Party elects not to defend the Indemnified Party against such claim or demand, whether by not giving the Indemnified Party timely notice as provided above or otherwise, then the amount of any such claim or demand, or, if the same be contested by the Indemnified Party, then that portion thereof as to which such defense is unsuccessful (and the reasonable costs and expenses pertaining to such defense) shall be the liability of the Indemnifying Party hereunder, subject to the limitations set forth in this Article VII.

(d) To the extent the Indemnifying Party shall control or participate in the defense or settlement of any third-party claim or demand, the Indemnified Party will give the Indemnifying Party and its counsel access to, during normal business hours, the relevant business records and other documents, and shall permit them to consult with the employees and counsel of the Indemnified Party.

(e) Whether or not the Indemnifying Party chooses to defend or prosecute any third-party claim, all the parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Survival. All representations, warranties, covenants and agreements of Buyer and Sellers contained herein shall survive until three years after the Closing.

Section 8.2. Amendment and Modification. This Agreement may be amended, modified, supplemented or altered only by a written agreement signed by the Buyer, Seller and the Seller Parent.

Section 8.3. Notices. All notices and other communications hereunder shall be in writing (including by facsimile during business hours) and shall be deemed to have been duly given when delivered in Person (including by overnight courier), when faxed (with confirmation of transmission having been received), in each case to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice).

If to the Sellers, to:

Atlantic Technology Ventures, Inc.
350 Fifth Avenue, Suite 5507
New York, New York 10018
Facsimile: (212) 267-2159
Attention: Frederic P. Zotos

with a copy sent contemporaneously to:

Kramer Levin Naftalis & Frankel LLP
919 Third Avenue
New York, NY 10022
Facsimile: (212) 715-8000
Attention: Ezra G. Levin, Esq.

If to the Buyer, to:

IFN, Inc.
9500 Euclid Avenue
ND-40
Cleveland, Ohio 44195
Facsimile: (216) 445-6514
Attention: Christopher M. Coburn

with a copy sent contemporaneously to:

David W. Rowan, Esq.
Squire, Sanders & Dempsey
4900 Key Tower
Cleveland, OH 44114
Facsimile: (216) 479-8780

Section 8.4. Expenses. Except as otherwise expressly provided herein, each of the parties hereto will bear its own expenses in connection with the negotiation, preparation, execution and delivery of this Agreement and the documents and instruments contemplated hereby and in connection with and the transactions contemplated hereby and thereby, including all fees and disbursements of counsel, accountants, appraisers and other advisors retained by such party, whether or not the transactions contemplated by this Agreement are consummated.

Section 8.5. Governing Law. This Agreement, and all agreements, documents and instruments delivered pursuant to hereto or incorporated herein, unless otherwise expressly provided therein, shall be governed by, and construed in accordance with, the internal laws of the State of Ohio without giving effect to principles of conflicts of law.

Section 8.6. Counterparts. This Agreement may be executed by the parties hereto individually or in any combination, in one or more counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.

Section 8.7. Entire Agreement. This Agreement, including the documents and instruments referred to herein or contemplated hereby, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter hereof. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to the subject matter hereof, in connection with the transactions contemplated hereby).

Section 8.8. Severability. If any provision or provisions of this Agreement or of any of the documents or instruments delivered pursuant hereto, or any portion of any provision hereof or thereof, shall be deemed invalid or unenforceable pursuant to a final determination of any court of competent jurisdiction or as a result of future legislative action, such determination or action shall be construed so as not to affect the validity or enforceability hereof or thereof and shall not affect the validity or effect of any other portion hereof or thereof.

Section 8.9. Headings. The headings of the various Articles and Sections of this Agreement have been inserted for the purpose of convenience of reference only, and shall not be deemed in any manner to modify, explain, enlarge or restrict any of the provisions of this Agreement.

Section 8.10. Exhibits and Schedules. All exhibits and schedules attached hereto and referred to herein are hereby incorporated in and made a part of this Agreement as set forth in full herein.

Section 8.11. Further Assurances. The Sellers shall, for no further consideration, perform all such other reasonable actions and execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further assignments, transfers, consents, permits, certificates and other documents as Buyer or its counsel may reasonably request to vest in Buyer and protect Buyer's rights, title and interest in and to the enjoyment of the Business and the Purchased Assets conveyed, transferred and delivered to Buyer under this Agreement and to affirm and protect Buyer's rights and interests under this Agreement.

* * *

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf as of the date first above written.

ATLANTIC TECHNOLOGY VENTURES, INC.

By: /s/ Frederic P. Zotos

Name: Frederic P. Zotos
Title: President and CEO

GEMINI TECHNOLOGIES, INC.

By: /s/ A. Joseph Rudick

Name: A. Joseph Rudick
Title: President

IFN, INC.

By: /s/ Frank L. Lordeman

Name: Frank L. Lordeman
Title: Chief Operating Officer

THE CLEVELAND CLINIC FOUNDATION

By: /s/ Frank L. Lordeman

Name: Frank L. Lordeman
Title: Chief Operating Officer