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, 1999

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 PHARMACEUTICALS, 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.)

1017 Main Campus Drive, Suite 3900, Raleigh, North Carolina 27606
(Address of principal executive offices)

(919) 513-7020
(Issuer's telephone number)

N/A
(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 June 30, 1999: 4,757,539

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

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PART I -- FINANCIAL INFORMATION
Item 1. Financial Statements
ATLANTIC PHARMACEUTICALS, INC. AND SUBSIDIARIES
(a development stage company)
Consolidated Balance Sheets
June 30, 1999 (unaudited) and December 31, 1998 (audited)

Assets	6/30/99	12/31/98
Current assets:		
Cash and cash equivalents	$ 4,122,209	$5,835,669
Prepaid expenses	21,633	42,108
Account receivable	381,573	381,015
Total current assets	4,525,415	6,258,792
Furniture and equipment, net of accumulated depreciation of $377,189 and $316,639 at June 30,1999 (unaudited) and December 31, 1998, respectively	206,320	262,173
	4,731,735	6,520,965
Liabilities and Stockholders' Equity		
Current liabilities:		
Accrued expenses	379,513	657,001
Total current liabilities	379,513	657,001
Stockholders' equity		
Preferred stock, $.001 par value. Authorized 10,000,000 shares; 1,375,000 designated as Series A convertible preferred stock Series A convertible preferred stock, $.001 par value; authorized 1,375,000 shares, 554,746 and 632,468 shares issued and outstanding at June 30, 1999 (unaudited) and December 31, 1998, respectively	555	632
Convertible preferred stock warrants, 117,195 issued and outstanding at June 30, 1999 (unaudited) and December 31, 1998, respectively	540,074	540,074
Common stock $.001 par value. Authorized 50,000,000 shares; 4,757,539 and 4,503,388 shares issued and outstanding at June 30, 1999 (unaudited) and December 31,1998, respectively	4,758	4,503
Common stock subscribed. 182 shares at June 30,1999 (unaudited) and December 31,1998	--	--
Additional paid -in capital	21,662,704	21,662,881
Deficit accumulated during development stage	(17,855,327	(16,343,584)
	4,352,764	5,864,506
Less common stock subscriptions receivable	(218)	(218)
Less treasury stock, at cost	(324)	(324)
Total stockholders' equity	4,352,222	5,863,964
	$ 4,731,735	$ 6,520,965

See accompanying notes to consolidated financial statements.

ATLANTIC PHARMACEUTICALS, INC. AND SUBSIDIARIES
(a development stage company)
Consolidated Statements of Operations (Unaudited)
Three months ended June 30, 1999 and 1998, the six-months ended June 30, 1999
and 1998 and the period from July 13, 1993 (inception) to June 30, 1999.

	Three Months Ended		Six Months Ended		Cumulative from July 13, 1993 (inception) to June 30,1999
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998	
Revenue:					
License Revenue	--	2,500,000	--	2,500,000	$ 2,500,000
Grant revenue	--	--	--	--	$ 99,932
Total Revenue	--	25,000,000	--	2,500,000	$ 2,599,932
Costs and expenses:					
Research and development	$ 365,139	$ 651,532	$ 925,478	$ 1,408,258	8,208,752
License fees	--	--	--	--	173,500
General and administrative	337,938	972,714	708,788	1,596,705	12,435,791
Total operating expenses	703,077	1,624,246	1,634,266	3,004,963	20,818,043
Other expense (income):					
Interest income	(58,302)	(146,800)	(122,523)	(255,284)	(988,359)
Interest expense	--	--	--	--	625,575
Total other expense (income)	(58,302)	(146,800)	(122,523)	(255,284)	(362,784)
Net income (loss)	(644,775)	1,022,554	(1,511,743)	(249,679)	(17,855,327)
Imputed convertible preferred stock dividend	--	505,540	--	1,522,242	5,331,555
Net income (loss) applicable to common shares	(644,775)	517,014	(1,511,743)	(1,771,921)	(23,186,882)
Net income (loss) per common share -basic	($0.14)	$0.14	($0.37)	($0.52)	($12.49)
Shares used in calculation of net income (loss) per share	4,699,454	3,682,763	4,080,398	3,438,980	1,856,108

See accompanying notes to consolidated financial statements.

ATLANTIC PHARMACEUTICALS, INC. AND SUBSIDIARIES
(a development stage company)
Consolidated Statements of Cash Flows (Unaudited)
Six-months ended June 30, 1999 and 1998 and the period
from July 13, 1993 (inception) to June 30, 1999

	Period ended 30-Jun		Cumulative from July 13, 1993 (inception) to 30-Jun
	1999	1998	1999
Cash flows from operating activities:			
Net loss	$ (1,511,743)	(249,679)	(17,855,327)
Adjustments to reconcile net loss to net cash used in operating activities:			
Expense relating to issuance of warrants	--	69,036	298,202
Expense relating to issuance of options	--	--	81,952
Expense related to Channel merger	--	--	657,900
Compensation expense relating to stock options	--	--	208,782
Discount on notes payable - bridge financing	--	--	300,000
Depreciation	60,550	80,805	377,189
Changes in assets and liabilities:			
(Increase) decrease in prepaid expenses	20,475	(61,449)	(21,633)
Increase (decrease) in accrued expenses	(277,488)	205,269	379,513
Increase (decrease) in accrued interest	--	--	172,305
(Increase) decrease in account receivable	(558)	(100,000)	(381,573)
Net cash used in operating activities	(1,708,764)	(56,018)	(15,782,690)
Net cash used in investing activities - acquisition of furniture and equipment	(4,696)	(177,762)	(583,509)
Cash flows from financing activities:			
Proceeds from exercise of warrants	--	--	5,500
Proceeds from exercise of options	--	--	52,500
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 of issuance of warrants	--	--	300,000
Repayment of notes payable - bridge financing	--	--	(1,500,000)
Repurchase of common stock	--	--	(324)
Proceeds from the issuance of common stock	--	5,444	7,547,548
Proceeds from the issuance of convertible preferred stock	--	--	10,613,184
Net cash provided by (used in) financing activities	--	5,444	20,488,408
Net increase (decrease) in cash and cash equivalents	(1,713,460)	(228,336)	4,122,209
Cash and cash equivalents at beginning of period	5,835,669	8,543,495	--
Cash and cash equivalents at end of period	$ 4,122,209	8,315,159	--
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 warrant	--	--	$ 30,069
Conversion of preferred to common stock	$ 140	--	$ 1,555

See accompanying notes to consolidated financialstatements.

ATLANTIC PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 1999 AND 1998

(1) Basis of Presentation

The accompanying financial statements of Atlantic Pharmaceuticals, Inc., and its subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial statements reflect all adjustments, which consist of only normal recurring adjustments considered necessary for fair presentation. Operating results are not necessarily indicative of results that may be expected for the year ending December 31, 1999 or for any subsequent period. These financial statements should be read in conjunction the Company's Annual Report on Form 10-KSB for the year ended December 31, 1998.

(2) Computation of Net Loss per Common Share

The Company has adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS No. 128"). In accordance with this statement, primary net loss per common share is replaced with basic loss per common share, which is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. Fully-diluted net income per common share is replaced with diluted net income per common share reflecting the maximum dilutive effect of common stock issuable upon exercise of stock options, stock warrants, stock subscriptions and conversion of preferred stock. Diluted net loss per common share is not shown, as common equivalent shares from stock options, stock warrants, stock subscriptions and convertible preferred stock would have an antidilutive effect.

(3) Liquidity

The accompanying financial statements have been prepared assuming that the Company will operate as a going concern. Management expects to raise adequate capital to fund its research, product development and administrative expenses. The ability of the Company to raise these funds is dependent on raising adequate funds from investors and corporate partners. The financial statements do not include any adjustments that might be necessary if the Company is unable to raise these funds.

(4) Subsequent Events

On July 12, 1999, Stephen R. Miller and Margaret A. Schalk filed suit against the Company in Wake County Superior Court, North Carolina (see Part II, Item 1).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's results of operations and financial condition should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 1998 filed with the Securities and Exchange Commission on March 25, 1999. Except for the historical information contained herein, this Quarterly Report may contain certain forward looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations and intentions. In addition to historical information, this report contains predictions, estimates and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from any future performance suggested in this report as a result of many factors, including the risk factors set forth in the Company's Annual Report on Form 10-KSB as well as those set forth elsewhere herein.

Results of Operations for the Quarter Ended June 30, 1999

In accordance with its license and development agreement with the Company, Bausch & Lomb Surgical ("Bausch & Lomb") reimbursed Atlantic's subsidiary, Optex Ophthalmologics, Inc. ("Optex") in the amount of $381,572 for Optex's costs related to development of the Catarex(TM) technology in the second quarter. This reimbursement reduced the Company's research and development expense by $369,332 and general and administrative expenses by $12,240.

For the second quarter ended June 30, 1999, research and development expense was $734,471 compared to $651,532 in the second quarter of 1998, an increase of 13%. (The Company was reimbursed $369,332 by Bausch & Lomb and the net research and development expense was $365,139.) The increase is largely due to accelerated spending on the CT-3 program.

For the second quarter ended June 30, 1999, general and administrative expense was $351,078 compared to $972,714 in the second quarter of 1998, a decrease of 64%. (The Company was reimbursed $12,240 by Bausch & Lomb and the net general and administrative expense was $337,938.) This decrease is largely due to a reduction in travel, marketing and compensation expenses.

For the second quarter ended June 30, 1999, interest income was $58,302 compared to $146,800 the second quarter of 1998, a decrease of 60%. This decrease is due to the decline in the Company's cash reserves.

Results of Operations for the Six-Month Period Ended June 30, 1999

In accordance with its license and development agreement with the Company, Bausch & Lomb reimbursed Optex in the amount of $921,919 for Optex's costs related to development of the Catarex(TM) technology in the six-month period ended June 30, 1999. This reimbursement reduced the Company's research and development expense by $878,199 and general and administrative expenses by $43,720.

For the six-month period ended June 30, 1999, research and development expense was $1,803,677 compared to $1,408,258 over the similar period in 1998, an increase of 28%. (The Company was reimbursed $878,199 by Bausch & Lomb and the net research and development expense was $925,478.) The increase is due to accelerated spending on the Catarex(TM) technology and the CT-3 technology.

For the six-month period ended June 30, 1999, general and administrative expense was $752,508 compared to $1,596,705 in the similar period of 1998, a decrease of 53%. (The Company was reimbursed $43,720 by Bausch & Lomb and the net general and administrative expense was $708,788.) This decrease is largely due to reduction in compensation, marketing and travel expenses.

For the six-month period ended June 30, 1999, interest income was $122,523, compared to $255,284 for the six-month period ended June 30, 1998, a decrease of 52%. This decrease is due to the decline in the Company's cash reserves.

Liquidity and Capital Resources

From inception to June 30, 1999, the Company incurred an accumulated deficit of $17,855,327, and the Company expects to continue to incur additional losses through the year ending December 31, 1999 and the foreseeable future.

The Company anticipates that its current resources will be sufficient to finance the Company's currently anticipated needs for operating and capital expenditures for at least the next fifteen months. In addition, the Company may attempt to generate additional capital through a combination of collaborative agreements, strategic alliances and public and private equity and debt financings. However, no assurance can be provided that additional capital will be obtained through these or other sources. If the Company is not able to obtain continued financing, the Company may cease operation and in all likelihood all the Company's security holders will lose their entire investment.

Research and Development Activities

Preclinical studies with all four of the Company's primary technologies are proceeding according to plan.

Optex's development of the Catarex(TM) cataract removal device is continuing in cooperation with Bausch & Lomb. We are currently constructing a clean room laboratory that we will use to further develop the manufacturing process for the Catarex(TM) device. The Company anticipates that Bausch & Lomb will file a 510(k) application with the U.S. Food and Drug Administration by the first quarter of the year 2000, with clinical studies to begin shortly thereafter.

Gemini Technologies, Inc. ("Gemini"), a subsidiary of the Company, is continuing research on its antisense-enhancing technology. Gemini's lead therapeutic compound targets respiratory syncytial virus, or "RSV," a major cause of lower-respiratory-tract disease in infants, young children, and the elderly. Primate proof-of-principle studies with this compound were started in July and will be completed in the third quarter of 1999. Also in July, Gemini was awarded a Small Business Innovation Research, or "SBIR," grant, which Gemini will use to fund a Phase I pre-clinical study of this compound. In addition to the RSV work, refinements to the chemical synthesis process are continuing, along with basic work on the anti-telomerase molecules.

The toxicology program for CT-3 has completed all dosing. Bioanalytical analyses are ongoing, as is completion of reports on the toxicology studies. To date, these studies have not resulted in any data that would cause the development of CT-3 to be discontinued or delayed. The results of these studies were submitted to an Ethics Committee. The Ethics Committee approved a Phase I Study, the design of which has been finalized. Phase I testing is set to begin shortly.

Studies are also underway on CT-3's on mechanism of action. These studies are designed to determine if CT-3 has any potential for patient addiction or tolerance, attributes that constitute significant drawbacks of narcotic analgesics. These studies will be completed in the third quarter.

No work was conducted on the Company's cyclodextrin technology during the second quarter of 1999. The Company is currently seeking an alliance to continue the development of CT-1.

Year 2000 Compliance

We have reviewed our internal computer systems and have concluded that they are Year 2000 compliant. All of our hardware and software was purchased or licensed less than four years ago. Additionally, we have received verbal assurances from our service providers that they will be Year 2000 compliant in a timely fashion. Accordingly, we do not expect Year 2000 issues to have any material effect on our business, financial condition or operating results.

Recent Developments

On May 18, 1999, as a result of a consent solicitation conducted by A. Joseph Rudick, Steve H. Kanzer, and Frederic P. Zotos, the composition of the Company's board of directors was changed (see Part II, Item 4). The new board of directors is committed to reducing the Company's general and operating expenses so as to allow the Company to devote a greater proportion of its resources to research and development. With that aim in mind, one of the first decisions the board of directors took was to close the Raleigh, North Carolina office (see Part II, Item 5). The cash spending rate in the first six-month period of 1999 was $288,896 compared with $427,815 in the same period of 1998, a decrease of 32%.

PART II -- OTHER INFORMATION

Item 1. Legal Matters

Litigation Brought by Stephen R. Miller and Margaret A. Schalk

On July 12, 1999, Stephen R. Miller and Margaret A. Schalk filed suit against the Company in Wake County Superior Court, North Carolina.

From September 21, 1995, through June 30, 1999, the Company employed Dr. Miller as Vice President, Chief Medical Officer, and employed Ms. Schalk as Vice President of Project Management and Investor Relations. The offer letter to each of them from the Company provided that if they were terminated without cause, they would be entitled to receive as severance their base salary for nine months from termination, subject to a duty to mitigate damages and set-off for amounts earned from alternative employment.

Effective July 1, 1999, Dr. Miller and Ms. Schalk ceased being employees of Atlantic. It is the Company's position that this constituted voluntary termination on their part: while the Company had embarked on a process of closing the Raleigh, North Carolina office, with an initial target date of June 30, 1999, the Company had indicated to Dr. Miller and Ms. Schalk that it wished them to continue their employment beyond June 30, 1999, for a limited period. Consistent with this position, upon Dr. Miller and Ms. Schalk's ceasing to be Company employees, the Company declined to pay them the severance payments provided for in their offer letters, which in the aggregate would have amounted to $138,750, in the case of Dr. Miller, and $101,250, in the case of Ms. Schalk. The Company also declined to pay Dr. Miller and Ms. Schalk for their accrued vacation days.

In their lawsuit, Dr. Miller and Ms. Schalk request unspecified monetary damages in excess of $10,000 plus interest (based on claims of breach of contract, bad faith, and failure to compensate Dr. Miller and Ms. Schalk for accrued vacation days), unspecified punitive damages (based on a claim of bad faith), liquidated damages (based on failure to compensate Dr. Miller and Ms. Schalk for accrued vacation days), and attorneys' fees, and, in the alternative to the claim of bad faith, a declaratory judgment that Dr. Miller and Ms. Schalk's employment agreements were valid and enforceable and that the Company is obligated to perform its obligations thereunder, including making the severance payments.

The Company is making arrangements for representation by local counsel.

Litigation Brought by Christopher R. Richied

On May 13, 1999, Christopher R. Richied filed suit against a group of defendants, including the Company, in the U.S. District Court for the Southern District of New York. The other defendants are The Castle Group, Ltd. (the "Castle Group"); Pacific Pharmaceuticals, Inc.; Binary Therapeutics, Inc.; XTL; and Dr. Lindsay A. Rosenwald.

The plaintiff claims that he is owed compensation in connection with his recruitment, during 1991 to 1994, of executive officers and directors for the Castle Group's new ventures, including the Company. Of 27 causes of action, three (based on breach of contract, quantum meruit, and promissory estoppel) relate to the Company. The plaintiff claims that he was not paid the one-third of the annual salary of the Company's Chief Executive Office that he was required to be paid for recruiting Laurence Shaw at Chief Executive Office of the Company, and $60,000 he was required to be paid for recruiting four directors of the Company. In connection with each of these causes of action, the plaintiff claims damages in an amount to be determined at trial, plus prejudgment interest, punitive damages, attorneys' fees and costs.

The Company and all other defendants in this action are being jointly represented by the Wilmington, Delaware office of Skadden, Arps, Slate, Meagher & Flom LLP.

Item 4. Submission of Matters to a Vote of Security Holders

On March 25, 1999, Steve H. Kanzer, A. Joseph Rudick, and Frederic P. Zotos filed with the Securities and Exchange Commission a definitive proxy statement seeking stockholder consent to the following three proposals:

1. RESOLVED, that (1) each current member of the Board of Directors of [the Company], other than Steve H. Kanzer and Yuichi Iwaki (those current members, the "Remaining Directors"), and (2) any other person or persons (other than the persons elected pursuant to this consent) elected or appointed to the Board of Directors of [the Company] prior to the effective time of this resolution, in addition to or in lieu of any of such current members (including any persons elected or appointed in lieu of the Remaining Directors) to fill any newly created directorship or vacancy on the Board of Directors of [the Company], or otherwise, is hereby removed and the office of each such member of the Board of Directors is hereby declared vacant.

2. RESOLVED, that A. Joseph Rudick and Frederic P. Zotos are hereby elected as directors of [the Company], to serve until their respective successors are duly elected and qualified.

3. RESOLVED, that all By-Laws adopted subsequent to January 11, 1999, and prior to the effectiveness of this resolution are null and void and of no force and effect.

On May 20, 1999, the Company announced that as of May 18, 1999, it had received from stockholders representing more than 50% of the total number of votes entitled to vote on the above three proposals consents approving those proposals. Accordingly, effective as of May 18, 1999, Dr. Robert A. Fildes and Mr. Martin Cleary ceased serving as members of the Board of Directors of the Company, Dr. Rudick and Mr. Zotos were appointed to the Board of Directors in their place, and Mr. Steve H. Kanzer and Dr. Yuichi Iwaki remained members of the Board of Directors.

The consents received by the Company represent the following number of shares and votes, with the total voting power represented by the Common Stock and the Preferred Stock as of the record date of March 23, 1999, being 6,571,715:

	Proposal 1	Proposal 2	Proposal 3
Consenting shares of Common Stock	2,085,971	2,082,071	2,084,821
Votes represented by those shares of Common Stock	2,085,971	2,082,071	2,084,821
Consenting shares of Preferred Stock	487,511	487,511	487,511
Votes represented by those shares of Preferred Stock	1,594,161	1,594,161	1,594,161
Aggregate votes represented	3,680,132	3,676,232	3,678,982
Aggregate votes represented, expressed as percentage of votes represented by all shares	56%	55.9%	56%

Item 5. Other Information

In May 1998, the Company decided that it would close its Raleigh, North Carolina office in order to reduce the Company's general and administrative expense. The Company is in the process of closing the Raleigh office, but until that process is completed, the principal offices of the Company will remain the Raleigh office.

Item 6. Exhibits and reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
10.1	Consulting Agreement dated as of May 18, 1999, between Optex Ophthalmologics, Inc., a wholly-owned subsidiary of the Company, and Dr. A. Joseph Rudick (filed herewith)
27.1	Financial Data Schedule (filed herewith)

(b) Reports on Form 8-K

On June 2, 1999, the Company filed with the SEC a report on Form 8-K/A describing the result of the consent solicitation conducted by A. Joseph Rudick, Steve H. Kanzer, and Frederic P. Zotos. (See Item 4, above.)

SIGNATURES

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

ATLANTIC PHARMACEUTICALS, INC.

Date: August 6, 1999

/s/ A. Joseph Rudick, M.D.

A. Joseph Rudick, M.D.
President

Date: August 6, 1999

/s/ Shimshon Mizrachi

Shimshon Mizrachi
Chief Financial Officer
(Principal Accounting and Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
10.1	Consulting Agreement dated as of May 18, 1999, between Optex Ophthalmologics, Inc., a wholly-owned subsidiary of the Company, and Dr. A. Joseph Rudick (filed herewith)
27.1	Financial Data Schedule (filed herewith)

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is dated as of May 18, 1999, and is between Optex Ophthalmologics, Inc., a Delaware corporation ("Optex"), and Dr. A. Joseph Rudick ("Dr. Rudick").

Dr. Rudick is the President and a director of Optex. He does not receive any salary for acting as such. Optex wishes to retain the services of Dr. Rudick to act as consultant, and Dr. Rudick wishes to act as consultant to Optex.

The parties therefore agree as follows:

1. Position and Responsibilities. Optex hereby retains Dr. Rudick to act as consultant, and Dr. Rudick shall, pursuant to the terms of this Agreement, render such consulting advice and services to Optex as may be reasonably required by Optex. During the term of this Agreement, Dr. Rudick shall report directly to the Board of Directors of Optex.

2. Term of Agreement. Either party may terminate this Agreement at any time upon 30 days' prior written notice.

3. Compensation. Optex shall pay Dr. Rudick $6,000 per month, payable in advance on the 18th day of each calendar month. Upon termination of this Agreement, Optex shall pay Dr. Rudick his monthly compensation for the month of the date of termination, pro rated by multiplying it by a fraction, the numerator of which is equal to the number of days in that month up to and including the date of termination, the denominator of which is the number of days in that month.

4. Expenses. Optex shall reimburse Dr. Rudick in accordance with the policies of Optex for necessary and reasonable business expenses incurred by Dr. Rudick in connection with the performance of his duties under this Agreement. The Board of Directors must approve in writing, and prior to their being incurred, each such expense of Dr. Rudick in excess of $5,000.

5. Confidentiality. Dr. Rudick recognizes and acknowledges that, in the course of his duties, he may receive confidential or proprietary information owned by Optex or other third parties with which Optex has an obligation of confidentiality. During and after the term of this Agreement, Dr. Rudick shall keep confidential and not disclose or use (except in connection with the fulfillment of his consulting duties to Optex under this Agreement) all confidential and proprietary information owned by or received by or on behalf of Optex. "Confidential Information" includes, without limitation, confidential or proprietary scientific or technical information or data, business plans, trade secrets and other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans or the business affairs

of Optex generally, or of any subsidiary or affiliate of Optex. "Confidential Information" does not, however, include information in the public domain, information disclosed to the Dr. Rudick by a third party entitled to disclose it without obligation of confidentiality, or information already known to Dr. Rudick prior to its receipt.

6. Non-solicitation. During the term of this Agreement and for a period of one year thereafter, Dr. Rudick shall not directly or indirectly employ, solicit for employment or advise or recommend to any other person that they employ or solicit for employment any person whom he knows to be an employee of Optex or any subsidiary or affiliate of Optex.

7. Specific Performance. Dr. Rudick acknowledges and agrees that Optex's remedies at law for a breach or threatened breach of any of the provisions of Sections 5 and 6 of this Agreement would be inadequate and, in recognition of this fact, Dr. Rudick agrees that, in the event of such a breach or threatened breach, in addition to remedies at law, Optex will be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy that may then be available.

8. Representation of Dr. Rudick; Use of Name. Dr. Rudick represents that there are no binding agreements to which he is a party or by which he is bound forbidding or restricting his activities under this Agreement. Dr. Rudick consents to the use of his name, in his capacity as consultant, in reports, brochures or other documents produced by or on behalf of Optex, including any and all documents filed with the Securities and Exchange Commission. Dr. Rudick further represents that his mailing address is 150 Broadway, Suite 1100, New York, NY 10038.

9. Dr. Rudick Not an Employee. In performing his duties under this Agreement, he will be acting as an independent contractor and not as an employee of Optex. In his capacity as an independent contractor, Dr. Rudick shall file his own tax returns for purposes of reporting all income, social security, employment and other taxes due and owing on the consideration received by him under this Agreement, and he is responsible for paying those taxes. Similarly, Dr. Rudick is not pursuant to this Agreement entitled to benefits specifically associated with employment status, such as medical, dental and life insurance, or stock or stock options, and is not entitled to participate in any other employer benefit programs. In his capacity as consultant (as opposed to his capacity as President of Optex), Dr. Rudick is not, and shall not represent himself to third parties as being, the agent or representative of Optex, and does not have, and shall not represent himself to third parties as having, power or authority to do or take any action for or on behalf of Optex as its agent or representative or otherwise, except as the Board of Directors of Optex may specify. Dr. Rudick agrees to defend, indemnify and hold Company harmless from

any and all claims made by any entity on account of an alleged failure by Dr. Rudick to satisfy any tax or withholding obligations.

10. Governing Law. This Agreement is governed by New York law, without regard to principles of conflicts of law.

11. Entire Agreement. This Agreement constitutes the entire agreement betweem the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except by a written instrument signed by both parties.

12. No Waiver. No waiver by any party of any default, breach or misrepresentation under this Agreement will be deemed to extend to any prior or subsequent default, breach or misrepresentation or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

13. Severability. If any term of this Agreement, or its application to any person, place or circumstance, is held to be unenforceable by a court of competent jurisdiction, the remainder of this Agreement will remain in full force and effect, and that unenforceable term will be deemed amended without further action on the part of the parties to the extent necessary to render it and the remainder of this agreement enforceable.

14. Successors; Binding Agreement. This Agreement inures to the benefit of and is binding upon the parties and their respective successors and assigns. Dr. Rudick may not assign this Agreement without the prior written consent of Optex.

15. Counterparts; Effectiveness. This Agreement may be executed in several counterparts, each of which is an original and all of which together constitute one and the same instrument.

16. Survival of Termination. Sections 3 (only to the extent the right to compensation vested prior to the termination of this Agreement), 4 (only to the extent the right to reimbursement vested prior to the termination of this Agreement), 5, 6, 7, 8, 9, and 10 will survive termination of this Agreement.

The parties hereby execute this Agreement as of the date specified in the introductory clause.

ATLANTIC PHARMACEUTICALS, INC.

By: /s/ Shimshon Mizrachi

Shimshon Mizrachi
Chief Financial Officer, Secretary,
and Treasurer

/s/ A. Joseph Rudick

A. JOSEPH RUDICK

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

0001001316
Atlantic Pharmaceuticals, Inc

6-MOS
DEC-31-1999
JUN-30-1999
4,122,209
0
381,573
0
0
4,525,415
206,320
377,189
4,731,735
379,513
0
0
555
4,758
21,662,704
4,731,735
0
0
0
0
1,634,266
0
(122,523)
(1,511,743)
0
(1,511,743)
0
0
0
(1,511,743)
(0.37)
(0.37)

Amounts inapplicable or not disclosed as a separate line on the Statement of Financial or Results of Operations are reported as 0 herin.