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 September 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.)

150 Broadway Avenue, Suite 1110, New York, New York 10038
(Address of principal executive offices)

(212) 227-4714
(Issuer's telephone number)

1017 Main Campus Drive, Suite 3900, Raleigh, North Carolina 27606
(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
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Number of shares of common stock outstanding as of September 30, 1999: 4,776,737

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

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EXHIBIT INDEX

Part One- Financial Information
Item 1- Financial Statements
ATLANTIC PHARMACEUTICALS, INC. AND SUBSIDIARIES
(a development stage company)
Consolidated Balance Sheets
September 30, 1999 (unaudited) and December 31, 1998

Assets	9/30/99 (unaudited)	12/31/98 (audited)
Current assets:		
Cash and cash equivalents	$ 3,694,484	$ 5,835,669
Prepaid expenses	16,384	42,108
Accounts Receivable	276,820	381,015
Total current assets	3,987,688	6,258,792
Furniture and equipment, net of accumulated depreciation of $407,464 and $316,639 at September 30,1999 (unaudited) and December 31, 1998, respectively.	220,643	262,173
Total Assets	4,208,331	6,520,965
Liabilities and Stockholders' Equity		
Current liabilities:		
Accrued expenses	190,827	657,001
Total current liabilities	190,827	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, 622,004 and 632,468 shares issued and outstanding at September 30, 1999 (unaudited) and December 31, 1998, respectively.	622	632
Series A convertible preferred stock warrants, 117,195 issued and outstanding at September 30, 1999 (unaudited) and December 31, 1998.	540,074	540,074
Common stock $.001 par value. Authorized 50,000,000 shares; 4,776,737 and 4,503,388 shares issued and outstanding at September 30, 1999 (unaudited) and December 31, 1998, respectively	4,777	4,503
Common stock subscribed. 182 shares at September 30, 1999 (unaudited) and December 31, 1998.	-	-
Additional paid -in capital	21,662,307	21,662,881
Deficit accumulated during development stage	(18,189,734)	(16,343,584)
Subtotal Stockholders' Equity	4,018,046	5,864,506
Less common stock subscriptions receivable	(218)	(218)
Less treasury stock, at cost	(324)	(324)
Total Stockholders' Equity	4,017,504	5,863,964
	4,208,331	6,520,965

See accompanying Notes to Consolidated Financial Statements.

ATLANTIC PHARMACEUTICALS, INC. AND SUBSIDIARIES (a development stage company)
Consolidated Statement of Operations (unaudited)
Three months ended September 30, 1999 and 1998, the nine months ended September 30, 1999 and 1998 and the period from July 13, 1993 (inception) to September 30, 1999.

	Three Months Ended		Nine Months Ended		Cumulative from July 13, 1993 (inception) to
	September, 30 1999	September, 30 1998	September, 30 1999	September, 30 1998	September 30, 1999
Revenue:					
Grant revenue	$ 29,787	--	29,787	--	129,719
Contract manufacturing revenue	247,163	--	247,163	2,500,000	2,747,163
Total revenue	276,750	--	276,950	2,500,000	2,876,882
Costs and expenses:					
Cost of Manufacturing revenue	197,730	--	197,730	--	197,730
Research and development	179,594	476,744	1,105,072	1,885,001	8,388,346
License fees	--	--	--	--	173,500
General and administrative	354,099	842,605	1,062,887	2,439,311	12,789,890
Total operating expenses	731,423	1,319,349	2,365,689	4,324,312	21,549,466
Other expense (income):					
Interest income	(51,430)	(106,304)	(173,953)	(361,588)	(1,039,789)
Interest expense	--	--	--	--	625,575
Total other expense (income)	(51,430)	(106,304)	(173,953)	(361,588)	(414,214)
Net income (loss) from continuing operations	(403,043)	(1,213,045)	(1,914,786)	(1,462,724)	(18,258,370)
Discontinued operations					
Gain on termination of license agreement	68,636	--	68,636	--	68,636
Imputed preferred stock dividend	--	(106,009)	--	(1,628,431)	(5,225,547)
Net income (loss) to common stockholders	(334,407)	(1,319,054)	(1,846,150)	(3,091,155)	(23,415,281)
Basic net income (loss) per common share	(0.07)	(0.37)	(0.45)	(0.91)	(11.21)
Shares used in calculation of basic net income (loss) per common share	4,767,138	3,608,211	4,138,836	3,408,417	2,088,556

See accompanying Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998	Cumulative from July 13, 1993 (inception) to September, 30 1999
Cash flows from operating activities:			
Net loss	$ (1,846,150)	(1,462,724)	(18,189,734)
Adjustments to reconcile net loss to net cash used in operating activities:			
Expense relating to issuance of warrants	-	-	298,202
Expense relating to issuance of options	-	129,036	81,952
Expense relating to the Channel merger	-	-	657,900
Compensation expense relating to stock options	-	-	208,872
Discount on notes payable-bridge financing	-	-	300,000
Depreciation	90,825	123,678	407,464
Changes in assets and liabilities:			
(Increase) decrease in prepaid expenses	25,724	(51,115)	(16,384)
Increase (decrease) in accrued expenses	(466,174)	184,082	190,827
Increase (decrease) in accrued interest	-	-	172,305
(Increase) decrease in accounts receivable	104,195	(293,480)	(276,820)
Net cash used in operating activities	(2,091,580)	(1,370,523)	(16,165,506)
Net cash used in investing activities			
Acquisition of furniture and equipment	(49,295)	(177,762)	(628,108)
Cash flows from financing activities:			
Proceeds from exercise of warrants	-	-	5,500
Proceeds from exercise of stock options	8	-	52,508
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		30,179	7,547,548
Proceeds from the issuance of Preferred Stock	-	-	10,316,184
Payment in connection with the preferred stock dividend	(318)	-	(318)
Net cash provided by (used in) financing activities	(310)	30,179	20,191,098
Net increase (decrease) in cash and cash equivalents	(2,141,185)	(1,518,106)	3,397,484
Cash and cash equivalents at beginning of period	5,835,669	8,543,495	-
Cash and cash equivalents at end of period	3,694,484	7,025,389	3,397,484
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

See accompanying Notes to Consolidated Financial Statements.

ATLANTIC PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 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, consisting of only normally 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

Since June 1999, the board of directors implemented a cost reduction program aimed at permitting the Company's existing capital to finance the Company's operations (including research, product development and general administration) through such time as the Company becomes profitable, which would occur as a result of the receipt of anticipated $6 million milestone payments under the agreement between Optex Ophthalmologics, Inc., a subsidiary of the Company ("Optex"), and Bausch & Lomb Surgical, Inc. ("Bausch & Lomb"), a subsidiary of Bausch & Lomb Incorporated, and the potential commercial launch of the Catarex(TM) cataract-removal surgical device.

(4) Preferred Stock Dividend

On August 9, 1999, the Company's board of directors declared a dividend to the holders of record of shares of the Company's Series A convertible preferred stock as of August 2, 1999 (see Part II, Item 5).

(5) Amendment to the Agreement with Bausch & Lomb Surgical, Inc.

On September 21, 1999, Optex and Bausch & Lomb amended their existing License and Development Agreement (see Part II, Item 5), effective as of September 1, 1999.

(6) Termination of Agreement with the Trustees of the University of Pennsylvania

On October 12, 1999, the Company and Channel Therapeutics, Inc., a subsidiary of the Company, announced the termination of a certain License Agreement, dated as of June 16, 1994, between the Trustees of the University of Pennsylvania and Channel (see Part II, Item 5).

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 September 30, 1999

On September 22, 1999, the Company announced the amendment of the existing Development and License Agreement between Bausch & Lomb Surgical, Inc. ("Bausch & Lomb"), a subsidiary of Bausch & Lomb Incorporated, and Optex Ophthalmologics, Inc. ("Optex"), a subsidiary of the Company, to provide for an expanded role for Optex in development of the Catarex(TM) surgical device.

Under the agreement as amended, Optex, in addition to the basic design work provided for in the original agreement, is required to deliver to Bausch & Lomb within a stated period Catarex(TM) devices for use in clinical trials, and is required to assist Bausch & Lomb in connection with development of manufacturing processes for scale-up of manufacture of the Catarex(TM) device. This increased role in the development of the Catarex(TM) device will expedite introduction of this innovative product in the marketplace.

Bausch & Lomb will reimburse Optex for all costs, including labor, professional services and materials, incurred by Optex in delivering those Catarex(TM) devices and performing manufacturing services, and will pay Optex a profit component based upon certain of those costs. Optex has budgeted at $8 million its costs for the work to be performed by it under the amendment; this would result in it receiving a total of $9.6 million from Bausch & Lomb pursuant to the amendment, $1.6 million of which would be profit.

In 1998, Optex received a milestone payment of $2.5 million under the Development and License Agreement. It is entitled to royalties on net sales of the Catarex(TM) device, and is also entitled to further milestone payments totalling $4 million upon successful completion of clinical trials and an additional $2 million upon the later of (1) successful completion of clinical trials and (2) receipt of approval from the FDA to market the Catarex(TM) device.

For the third quarter ended September 30, 1999, grant revenue was $29,787, compared to no revenue in the third quarter of 1998. This increase is due to payment received for the start of a Phase I study under a Small Business Innovation Research ("SBIR") grant of approximately $100,000 awarded to Gemini Technologies, Inc. ("Gemini"), a subsidiary of the Company, and initiated on August 1, 1999.

For the third quarter ended September 30, 1999, contract manufacturing revenue was $247,163 compared to no revenue in the third quarter of 1998. This increase in revenue is due to the amendment of the License and Development Agreement between Optex and Bausch & Lomb and the start of manufacture of the Catarex(TM) devices pursuant to the agreement.

In accordance with its agreement with the Company, Bausch & Lomb reimbursed Optex in the amount of $330,900 for Optex's costs related to development of the Catarex(TM) technology in the third quarter. This reimbursement reduced the Company's research and development expense by $326,582 and general and administrative expenses by $4,318.

For the third quarter ended September 30, 1999, the cost of manufacturing revenue increased to 197,730 as compared to no revenue in the third quarter of 1998. This increase reflects the manufacturing expenses paid by Bausch & Lomb to Optex pursuant to the Bausch & Lomb agreement effective September 1, 1999.

For the third quarter ended September 30, 1999, research and development expense was $179,594 compared to $476,744 in the third quarter of 1998, a decrease of 62%. The Company was reimbursed $326,582 by Bausch & Lomb and the net research and development expense was $308,688. The increase was largely due to accelerated spending on the Catarex(TM) technology by Bausch & Lomb.

For the quarter ended September 30, 1999, the Company recognized a gain on discontinued operations in the amount of $68,636 representing the reversal of previously recognized accrued research and development expenses related to the license agreement between Channel Therapeutics, Inc. ("Channel"), a subsidiary of the Company, and the Trustees of the University of Pennsylvania ("Penn") (see Part II, Item 5).

For the third quarter ended September 30, 1999, general and administrative expense was $358,417 compared to $842,605 in the third quarter of 1998, a decrease of 57%. The Company was reimbursed $4,318 by Bausch & Lomb and the net general and administrative expense was $354,099. This decrease was largely due to a reduction in compensation, travel and marketing expenses.

For the third quarter ended September 30, 1999, interest income was $51,430 compared to $106,304 the third quarter of 1998, a decrease of 52%. This decrease was due to the decline in the Company's cash reserves.

Results of Operations for the Nine-Month Period Ended September 30, 1999

In accordance with its license and development agreement with the Company, Bausch & Lomb reimbursed Optex in the amount of $ 1,252,819, for Optex's costs related to development of the Catarex(TM) technology in the nine-month period ended in September 30, 1999. This reimbursement reduced the Company's research and development expense by $1,204,781 and general administrative expenses by $48,038.

For the nine-month period ended September 30, 1999, grant and license revenue was $29,787 compared to $2,500,000 over the similar period in 1998. The decrease is due to the fact that last year the Company received the first milestone payment from Bausch & Lomb.

For the nine-month period ended September 30, 1999, research and development expense was $2,438,947 compared to $1,885,001 over the similar period in 1998, an increase of 29%. The Company was reimbursed $1,204,781 by Bausch & Lomb and the net research and development expense was $1,234,166. The increase was due to accelerated spending on the Catarex(TM) technology and the CT-3 technology.

For the nine-month period ended September 30, 1999, general and administrative expense was $1,110,925 compared to $2,439,311 in the similar period in 1998, a decrease of 54%. The Company was reimbursed $48,038 by Bausch & Lomb and the net general and administrative expense was $1,062,887. This decrease is largely due to a reduction in personnel compensation, marketing and travel expenses.

For the nine-month period ended September 30, 1999, the Company recognized a gain on discontinued operations in the amount of $68,636 representing the reversal of previously recognized accrued research and development expenses related to the license agreement between Channel and Penn.

For the nine-month period ended September 30, 1999, interest income was $173,953 compared to $361,588 for the nine-month period ended September 30, 1998, a decrease of 52%. This decrease was due to the decline in the Company's cash reserves.

Liquidity and Capital Resources

The Company anticipates that its current resources will be sufficient to finance the Company's currently anticipated needs for operating and capital expenditures until such time as the Company becomes profitable, which could occur as a result of receipt of the anticipated $6 million milestone payments under the Bausch & Lomb agreement and the anticipated commercial launch of the Catarex(TM) device. If such developments are delayed or terminated, the Company might be required to further reduce its operating expenses and/or seek additional capital through a combination of collaborative agreements, strategic alliances and public and private equity and debt financing. The Company cannot assure that, under such circumstances, additional capital would be obtainable through these or other sources.

The Company's working capital requirements will depend upon numerous factors, including: progress of the Company's research and development programs; preclinical and clinical testing; and timing and cost of obtaining regulatory approvals.

From its inception to September 30, 1999, the Company incurred an accumulated deficit of $18,189,734 and the Company expects to continue to incur additional losses through the year ending December 31, 1999, and the foreseeable future.

Research and Development Activities

Preclinical studies with all three 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 have finished constructing a clean room laboratory that we will use to further develop the manufacturing process for the Catarex(TM) device. In addition, Optex and Bausch & Lomb have amended their Development and License Agreement to provide for an expanded role for Optex in development of the Catarex(TM) device. In this amendment Optex agreed to manufacture the handpieces for use in clinical studies and agreed to provide Bausch & Lomb certain services in connection with development of the manufacturing process for the Catarex(TM) device (see Part II, Item 5). The Company anticipates that Bausch & Lomb will file a 510(k) application with the United States Food and Drug Administration (the "FDA") by the first quarter of the year 2000, with clinical studies to begin shortly thereafter.

Gemini 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. Gemini completed the primate proof-of-principle studies of this compound in the third quarter of 1999. In July 1999, Gemini received a SBIR grant of approximately $100,000, which Gemini is using to fund a Phase I pre-clinical study of this compound. The Company is currently seeking a corporate development partner for the RSV compound. In addition to developing this compound, Gemini is focusing its research on developing other applications for the antisense technology and on improving the basic chemistry of the antisense technology.

We have completed all dosing in the toxicology program for CT-3, and are currently conducting bioanalytical analyses and compiling toxicology reports. To date, these studies have not resulted in any data that would cause the development of CT-3 to be discontinued or delayed. The compound is currently ready for a Phase I study, and we are in the process of finalizing the design of this study. We believe we must conduct studies to determine the safety of CT-3, in addition to assessing the potential for any detrimental central nervous system side effects of CT-3. Designing the clinical program will require additional toxicology testing and formulation development prior to beginning large scale clinical trials. The Company intends to file an Investigative New Drug Application for CT-3 with the FDA in the first quarter of 2000.

No work was conducted on the cyclodextrin technology during the third quarter of 1999. After a thorough review of this technology, the Company decided to cause Channel to terminate its license agreement for this technology with Penn and discontinue its development of the technology (see Part II, Item 5).

Year 2000 Compliance

Many computer systems and software products are coded to accept only two digit entries in the date code field. Beginning in the year 2000, these date code fields must accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, computer systems and software used by many companies may need to be upgraded to avoid "Year 2000" difficulties which arise if such date code fields cannot accept four digit entries. Significant uncertainty exists concerning the potential effects of failing to insure that all computer systems and software are appropriately upgraded and Year 2000 complaint.

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.

PART II -- OTHER INFORMATION

Item 1. Legal Matters

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

On July 12, 1999, Dr. Stephen R. Miller and Margaret A. Schalk filed suit against the Company in Wake County Superior Court, North Carolina. This lawsuit is described in the Company's Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 1999.

In July 1999, the Company duly filed a response to the complaint, and the lawsuit is now in the discovery stage. The Company has also paid Dr. Miller and Ms. Schalk for their accrued vacation days. The Company is being represented by the Raleigh, North Carolina office of the law firm Kennedy, Covington, Lobdell & Hickman LLP.

The Company believes that the asserted claims are without merit and intends to defend vigorously the action instituted by the plaintiffs. The Company further believes that the outcome of this suit will not be material to the Company.

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. This lawsuit is described in the Company's Quarterly Report Form 10-QSB for the quarterly period ended June 30, 1999.

For a period extending through the second quarter of the year 2000, the parties will be engaged in factual and expert-related discovery. The Company and all other defendants in this action are being jointly represented by the Wilmington, Delaware office of the law firm Skadden, Arps, Slate, Meagher & Flom LLP.

The Company believes that the asserted claims are without merit and intends to defend vigorously the action instituted by the plaintiff. The Company further believes that the outcome of this suit will not be material to the Company.

Item 2. Changes in Securities.

Pursuant to an amendment duly authorized by the Company's stockholders (see Part II, Item 4), the Certificate of Designations of the Company's Series A convertible preferred stock no longer requires transactions between the Company and its directors and executive officers to be approved by 66.67% of the preferred stock voting separately as a class. The Company found this clarification of the scope of the voting rights of the preferred stock necessary to conduct business efficiently and to avoid unnecessary expenses.

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

On August 24, 1999, the Company filed with the Securities and Exchange Commission, and mailed to stockholders on or about the same date, a definitive proxy statement seeking stockholder proxies consenting to the following three proposals:

1. RESOLVED, that A. Joseph Rudick, Yuichi Iwaki, Steve H. Kanzer and Frederic P. Zotos be and hereby are re-elected as directors of the Company, to serve until their respective successors are duly elected and qualified.

2. RESOLVED, that the board of directors' selection of KPMG Peat Marwick, LLP to serve as the Company's independent

auditors for the year ending December 31, 1999 be and hereby is ratified.

3. RESOLVED, that the Certificate of Designations of Series A Convertible Preferred Stock of the Corporation be amended by deleting clause (vii) of Section 6(b) in its entirety and substituting a new clause (vii), which reads in its entirety as follows:

"(vii) the approval of any transactions between the Corporation and its affiliates (other than (A) transactions between the Corporation and its subsidiaries in the ordinary course of business and (B) transactions between the Corporation and its directors and executive officers)."

Approval of all three proposals required the affirmative vote of a majority of the common stock and preferred stock, voting together as a class. Approval of the third proposal also required the consent of the holders of at least 66.67% of all outstanding shares of the preferred stock, voting separately.

The board of directors of the Company presented these proposals for stockholder consideration at the Company's 1999 annual meeting held on September 23, 1999, for which there was a quorum. All three proposals received the affirmative vote of more than a majority of those stockholders present in person or by proxy. Accordingly, effective as of September 23, 1999, all four nominees were re-elected as members of the board of directors and the selection of KPMG Peat Marwick, LLP to serve as the Company's independent auditors for the year 1999 was ratified. The following table presents the results of the common and preferred stock voting together. The total number of shares of common stock voted was 3,179,405 out of the 4,774,121 shares entitled to vote. The total number of shares of preferred stock voted was 377,797 out of the 622,942 shares entitled to vote, with each share being entitled to 3.27 votes.

Proposal 1: Election of Directors:

	Votes of Holders of Common Stock		Votes of Holders of Preferred Stock	
	For	Withheld	For	Withheld
A. Joseph Rudick	3,166,905	12,500	1,216,869	18,527
Yuichi Iwaki	3,166,905	12,500	1,216,869	18,527
Steve H. Kanzer	3,164,875	14,530	1,216,869	18,527
Frederic P. Zotos	3,164,675	14,730	1,216,869	18,527

Proposal 2: Selection of KPMG as the Company's Independent Auditors:

Votes of Holders of Common Stock		
For	Against	Abstain
3,164,605	6,100	8,700

Votes of Holders of Preferred Stock		
For	Against	Abstain
1,216,869	18,527	0

Proposal 3: Amendment of the Company's Certificate of Designations:

Votes of Holders of Common Stock		
For	Against	Abstain
3,060,128	63,788	55,489

Votes of Holders of Preferred Stock		
For	Against	Abstain
1,104,129	64,847	66,420

The vote of the preferred stock voting as a class on the third proposal was adjourned until October 12, 1999, when the Company announced it had received proxies from stockholders holding 69.7% of all outstanding shares of preferred stock approving the amendment to the Certificate of Designations. A total number of 485,964 shares of preferred stock voted out of the 622,942 shares entitled to vote. The following table provides the results of the vote. The Company thereafter amended the Certificate of Designations (see Item 2).

Proposal 3: Amendment of the Company's Certificate of Designations:

For	Against	Abstain
1,420,779	101,903	66,420

Item 5. Other Information

Dividend Payments to Holders of Preferred Stock

Pursuant to the Company's Certificate of Designations, holders of shares of preferred stock were entitled to receive, commencing February 7, 1999, dividends on each share of preferred stock, payable in kind, at the rate of 10% of the Dividend Base Amount of $13.00, payable semiannually in arrears. The Company did not make the February 7, 1999 dividend payment. On August 9, 1999, the Company issued a payment-in-kind dividend of 0.13325 of a share of Preferred Stock per share of Preferred Stock to holders of shares of preferred stock as of the record date of August 2, 1999, amounting to an aggregate of 73,219 shares. This dividend included the dividend payment of 0.065 of a share of preferred stock per share of preferred stock that had not been made on February 7, 1999, and the portion of the dividend payment due August 9, 1999, was increased from 0.065 of a share to 0.06825 of a share to reflect non-payment of the February 7, 1999 dividend.

Amendment to Agreement with Bausch & Lomb Surgical, Inc.

On September 22, 1999, the Company announced the amendment of the existing Development and License Agreement between Bausch & Lomb and Optex to provide for an expanded role for Optex in development of the Caterex(TM) surgical device.

Under the agreement as amended, Optex, in addition to the basic design work provided for in the original agreement, is required to deliver to Bausch & Lomb within a stated period Caterex(TM) devices for use in clinical trials, and is required to assist Bausch & Lomb in connection with development of manufacturing processes for scale-up of manufacture of the Caterex(TM) device. This increased role in the development of the Caterex(TM) device will expedite introduction of this innovative product in the marketplace.

Bausch & Lomb will reimburse Optex for all costs, including labor, professional services and materials, incurred by Optex in delivering those Caterex(TM) devices and performing manufacturing services, and will pay Optex a profit component based upon certain of those costs. Optex has budgeted at $8 million its costs for the work to be performed by it under the amendment; this would result in it receiving a total of $9.6 million from Bausch & Lomb pursuant to the amendment, $1.6 million of which would be profit.

In 1998, Optex received a milestone payment of $2.5 million under the Development and License Agreement. It is entitled to royalties on net sales of the Caterex(TM) device, and is also entitled to further milestone payments totalling $6 million upon successful completion of clinical trials and receipt of approval from the FDA to market the Caterex(TM) device.

Termination of Agreement with the Trustees of the University of Pennsylvania

On October 12, 1999, the Company and Channel announced the termination of the License Agreement

dated as of June 16, 1994, between Penn and Channel pursuant to which Channel received the rights to use cyclodextrin technology. The Company and Channel, on the one hand, and Penn, on the other hand, released each other from any further obligations under the license agreement. The Company paid Penn a portion of the patent costs for which Penn was seeking reimbursement under the agreement.

The reason for this termination is that the Company determined that the cyclodextrin technology would not have the potential to attract development partners without considerable investment by the Company over an extended period. Terminating the agreement permitted the Company to avoid additional patent costs and focus its resources on technologies that offer greater potential for near-term development and corporate partnerships.

Relocation of Principal Office

Effective November 1, 1999, the Company relocated its principal office from Raleigh, North Carolina to New York, New York. This move will allow the Company to avoid unnecessary general and administrative expenses associated with its North Carolina office, and places its principal office close to the Company's management, which is New York-based. The new office information is as follows:

Atlantic Pharmaceuticals, Inc.
150 Broadway Avenue, Suite 1110
New York, New York 10038
Telephone: (212) 227-4714
Facsimile: (212) 732-9453

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Description
10.1	Amendment No. 1 dated September 16, 1999, to the Development and License Agreement between Bausch & Lomb Surgical, Inc. and Optex Ophthalmologics, Inc. (filed herewith).
27.1	Financial Data Schedule (filed herewith)

(b) Form 8-K

The Company did not file any reports on Form 8-K in the quarter ending September 30, 1999.

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: November 15, 1999

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

A. Joseph Rudick, M.D.
President

EXHIBIT INDEX

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27.1	Financial Data Schedule (filed herewith)

Exhibit 10.1

AMENDMENT No. 1
to
DEVELOPMENT & LICENSE AGREEMENT

This Amendment No. 1 to Development & License Agreement (this "Amendment"), dated September 16, 1999 is entered into by and among OPTEX OPHTHALMOLOGICS, INC. ("Optex") and BAUSCH & LOMB SURGICAL, INC. ("B&L").

R E C I T A L S

WHEREAS, Optex and B&L are parties to a Development & License Agreement entered into on May 14, 1998 (the "Development Agreement") pursuant to which the Parties reached agreement relating to the joint development and commercialization by B&L of the Catarex Products on a worldwide basis; and

WHEREAS, the Parties desire to amend the Development Agreement in accordance with the terms of this Amendment.

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements set forth in this Amendment, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Capitalized terms used herein, and not otherwise defined herein, shall have the respective meanings specified in the Development Agreement.

2. Section 1 of the Development Agreement is amended as follows:

(1) by adding at the end of Section 1.5 the words "not specially sized for use with the Catarex Unit";

(2) by deleting Section 1.6 in its entirety, and substituting in lieu thereof the following:

1.6 "Catarex Consumable" means any single-use disposable or reusable component used in the operation of the Catarex Unit, which components include, based upon the Catarex Unit as currently configured, (1) the Catarex Handpiece, (2) the concentrix cartridge, (3) the concentrix collection bag, (4) the irrigation and aspiration tube set, (5) the Catarex Handpiece tube set, (6) the capsulotomy sizing probe, (7) the capsulorhexis probe, (8) the Catarex hydrodissection needle, (9) the bottle or pouch of sterile balanced salt solution, and (10) any surgical knife specially sized for use with the Catarex Unit.

1.7 "Catarex Handpiece" means a single-use, disposable, cataract vortex emulsification device incorporating a high-speed rotary impeller-based fragmenter

using integrated irrigation aspiration, the current configuration of which device is represented by Optex part number 50022 Revision A.

(3) by renumbering Sections 1.7 through 1.10 as Sections 1.8 through 1.11;

(4) by deleting Section 1.11 in its entirety, and substituting in lieu thereof the following:

1.12 "Catarex Product" means the Catarex Unit, any Catarex Combination Product, any Catarex Consumable, the Catarex Standalone Unit, the Catarex/Millennium Unit, the Catarex Module, any Catarex Plugin, and any other product the manufacture, use, importation, or sale of which would infringe Optex
Patents.

(5) by renumbering Sections 1.12 and 1.13 as Sections 1.13 and 1.14;

(6) by deleting Section 1.14; and

(7) by adding the following sentence at the end of Section 1.24: "Optex Critical Technology includes the Catarex Handpiece."

3. Sections 4.4, 4.5 and 4.6 of the Development Agreement are hereby amended by deleting them in their entirety, and substituting in lieu thereof the following:

4.4 Responsibilities of Optex.

4.4.1 Optex has the following responsibilities:

(1) Optex shall deliver to B&L as soon as reasonably possible the items listed in Schedule 4.4.1(1), which may be amended by agreement of Optex and B&L (the delivery of these items and the work involved in preparing them is referred to as "Phase O");

(2) by the date 10 months from the date of Amendment No. 1 to this Agreement, Optex shall produce and deliver to B&L 2,400 Catarex Handpieces that conform to the specifications then in effect (this obligation is referred to as "Phase I");

(3) by the date 18 months from the date of Amendment No. 1 to this Agreement, Optex shall produce and deliver to B&L 20,000 Catarex

Handpieces (this obligation is referred to as "Phase II"); and

(4) Optex shall from the date of this Agreement provide B&L with reasonable cooperation, assistance, consultation and support, including the services listed in Schedule 4.4.1(4), in connection with development of manufacturing processes for scale-up of the manufacture of Catarex Handpieces (these services, the "Manufacturing Services").

4.4.2 Optex shall make the Phase I and Phase II deliveries of Catarex Handpieces F.O.B. any B&L facility designated by B&L (the "F.O.B. Point"), and Optex bears all risk of loss or damage to the Catarex Handpieces from any cause whatsoever until delivery to B&L at the F.O.B. Point.

4.4.3 During Phase I, Optex and B&L shall agree in writing upon the specifications for the Catarex Handpiece, which must thereafter be modified to reflect changes in design of the Catarex Handpiece. Catarex Handpieces that Optex delivers to B&L must comply with those specifications. Subject to Section 4.4.4, if B&L determines that any of those Catarex Handpieces do not conform to those specifications and within 30 days of delivery to B&L of any Catarex Handpieces B&L notifies Optex in writing that it has so determined and returns to Optex those non-conforming Catarex Handpieces, Optex shall replace those non-conforming Catarex Handpieces. Subject to Section 4.4.4, if thereafter B&L determines that any Catarex Handpieces have a latent defect that could reasonably cause those Catarex Handpieces to not conform to the specifications in effect at the time of delivery, and notifies Optex in writing that it has so determined, Optex shall replace those defective Catarex Handpieces.

4.4.4 If within 15 days of a notice from B&L that any Catarex Handpieces do not conform to specifications or are defective Optex does not notify B&L that it disagrees with B&L's determination, B&L's determination shall apply. In the event Optex does timely notify B&L that it disagrees with B&L's determination, Optex and B&L shall in good faith attempt to resolve their differences. In the event Optex and B&L are unable to resolve their differences, they shall submit the dispute to an independent expert selected jointly by them whose conclusion regarding the validity of B&L's determination will be conclusive and binding on both Optex and B&L. In the event Optex and B&L cannot agree on an independent expert, they shall each appoint one independent expert and the two appointees must select a third independent expert, whose conclusion regarding the validity of B&L's determination will be conclusive and binding on both Optex and B&L. B&L and Optex shall each pay the fees and expenses of any independent expert appointed by them, and shall share equally the fees and expenses of any independent expert selected jointly by them or by independent experts appointed by each of them, as the case may be.

4.4.5 Optex shall construct at its expense a suitable environmentally-controlled room at Optex's facility for the Phase I and Phase II production of Catarex Handpieces, and during normal business hours and upon reasonable advance notice in writing shall from time to time grant B&L employees access to that room for training purposes.

4.4.6 Optex shall design and produce all prototype and production tooling and molds necessary to satisfy its obligations under Section 4.4.1. Subject to Section 8.3.2, Optex hereby transfers to B&L all right, title and interest in and to that tooling and those molds as and when developed by Optex, and shall deliver that tooling and those molds to B&L upon the reasonable request of B&L. Optex may at

its cost manufacture and retain for its use in connection with the Optex Field one or more duplicate sets of that tooling and those molds.

4.5 Responsibilities of B&L.

4.5.1 B&L shall use commercially reasonable efforts to do the following as expeditiously as practicable:

(1) develop all elements of Catarex Products other than those to be developed by Optex pursuant to Section 4.4;

(2) obtain regulatory approval of Catarex Products in the Key Markets and China, India, Brazil and Indonesia; and

(3) manufacture and market Catarex Products in the Key Markets.

4.6 Funding.

4.6.1 B&L shall as follows pay Optex for Optex's performance of its responsibilities under Section 4.4:

(1) B&L shall reimburse Optex for all costs it incurs in connection with Phase O, up to a maximum of $2,500,000;

(2) B&L shall pay Optex an amount equal to 125% of all costs it incurs in connection with Phases I and II and Manufacturing Services it performs during Phases I and II until the aggregate amount of those costs equals $6,400,000, and shall reimburse Optex for all such costs it incurs in excess of $6,400,000; and

(3) B&L shall pay Optex an amount equal to all costs it incurs in connection with Manufacturing Services it performs after completion of Phase II.

4.6.2 For purposes of Section 4.6.1, "costs" include, without limitation, costs relating to labor, professional services and materials.

4.6.3 The procedures to be followed in connection with the payments required by Section 4.6.1 are as follows. Within 30 days after the end of each calendar month, Optex shall provide B&L with a written report of all costs incurred by it during that calendar month in performing its responsibilities under Section 4.4, as well as any supporting documentation B&L reasonably requests. B&L shall promptly thereafter make any payment required by Section 4.6.1 with respect to those costs, unless it wishes to dispute any statement of costs contained in Optex's written report, in which case Optex and B&L shall promptly cause the Joint Review Committee to consider and attempt to resolve the dispute.

4.6.4 If at any time Optex anticipates that performance of its obligations under clauses (2) and (3) of Section 4.4.1 will require that it incur costs (excluding the 25% Optex profit component) that exceed $7,040,000 or $1,760,000, respectively, Optex shall immediately notify B&L and B&L will have the option to have B&L rather than Optex perform all or part of the work that would cause any such excess costs. Optex may not incur any such excess costs without the prior written consent of B&L, which shall not unreasonably withhold.

4. Sections 4.7 of the Development Agreement is hereby deleted in its entirety.

5. Sections 8.1 and 8.2 of the Development Agreement are hereby amended by deleting them in their entirety, and substituting in lieu thereof the following:

8.1 Termination. This Agreement shall remain in full force and effect from the Effective Date until the expiration of the last to expire U.S. Optex Patent on Exhibit B, unless earlier terminated as follows (such termination an "Early Termination"):

8.1.1 by written agreement of Optex and B&L;

8.1.2 by B&L at any time upon six months' written notice;

8.1.3 by either Party, if B&L declares the Clinical Demonstration to be a complete failure;

8.1.4 by B&L, if B&L declares the Clinical Demonstration to be a partial success; provided, however that B&L shall have the option upon such determination to request good faith negotiations toward an appropriate amendment to this Agreement, in which case the Parties shall in good faith attempt to negotiate an amendment to this Agreement; provided, further, however, that if, after six months from the date of such request for negotiations, the Parties have been unable to reach agreement on the terms of an amendment to this Agreement, either Party may terminate this Agreement; or

8.1.5 by either party upon breach by the other party of any material provision of this Agreement which remains uncured 60 days after written notice of that breach.

8.2 Effect of Early Termination. Upon Early Termination, the following applies:

8.2.1 B&L shall return to Optex all data generated by Optex under this Agreement, and shall also transfer to Optex all FDA and other regulatory approvals and submissions and any data necessary or useful for purposes of applying for and securing regulatory approvals of the Catarex Handpiece, on condition that

Optex reimburse B&L for any reasonable out-of-pocket costs reasonably incurred by B&L in obtaining or preparing those approvals, submissions and data.

8.2.2 B&L may only use for non-infringing purposes any tooling and molds used by Optex in Phase I or Phase II and delivered to B&L pursuant to Section 4.4.6.

8.2.3 All intellectual property, including without limitation developmental improvements, that is specific to the Catarex Unit but are not specific to the Millennium(TM) system will become or will remain, as the case may be, the property of Optex.

8.2.4 Optex shall grant B&L a fully-paid nonexclusive license to Know-how.

8.2.5 To the extent necessary to allow Optex and Optex licensees to commercialize Catarex Products, B&L shall grant to Optex a worldwide sub-licensable license to B&L Patents, B&L Inventions and Know-how containing a royalty provision that reasonably compensates B&L for its expenses in developing the technologies granted back to Optex, as well as taking into consideration the royalties paid or to have been paid by B&L to Optex for the technology licensed by Optex to B&L.

8.3 Non-U.S.Patents. Upon termination of this Agreement other than as a result of Early Termination, Optex shall grant B&L a fully-paid nonexclusive license to any non-U.S. Optex Patents.

8.4 Survival. Sections 9.1 (Confidentiality), 12.2 (General Indemnification) and 12.3 (Patent Indemnification) of this Agreement shall survive termination of this Agreement.

6. Section 11.1 of the Development Agreement is hereby amended by adding at the end thereof the following:

Upon the request of Optex, B&L shall grant to Optex a permanent, exclusive license to use, on a royalty-free basis, the Catarex name and any associated trademark rights in connection with sale by Optex of Catarex Products in the Optex Field.

7. Section 12.3 of the Development Agreement is hereby amended by adding at the end the following:

12.3.3 If prior to payment of Milestones II and III B&L and Optex agree that the Catarex Handpiece infringes any third-party intellectual property rights, B&L may suspend payment of Milestones II and III until the earlier of (1) First Commercial Use and (2) Optex or B&L obtains a license to those third-party intellectual property rights.

8. Except as expressly provided for in this Amendment, the Development Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by the duly authorized representatives as of the date and year first above written.

OPTEX OPHTHALMOLOGICS, INC.	BAUSCH & LOMB SURGICAL, INC.
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Schedule 4.4.1(1)

PHASE 0 ITEMS

		Status
I.	DESIGN DOCUMENTS	
	2-D Component Drawings	Delivered
	3-D Component Drawings	Delivered
	Assembly Drawings	Delivered
	Bill of Materials	Delivered
II.	MANUFACTURABILITY	
	Work Instructions	Delivered
	Assembly Fixture Drawings	Delivered
	Manufacturing Aid Specifications	Delivered
III.	DEVELOPMENT HANDPIECES	
	10 Handpieces	Delivered
	70 Handpieces (B&L Will Participate in Assembly)	
IV.	DESIGN VERIFICATION	
	Test Reports	
V.	QUALITY SYSTEMS	
	First Article Inspection Data (All dimensions; n=1; Fabricated Parts)	
VI.	JOINT DESIGN REVIEW	Delivered

Schedule 4.4.1(4)

MANUFACTURING SERVICES

Complete development and implementation of fixturing and automation needed to support Phase I build at Optex

Complete transfer to B&L of duplicate fixtures and test stations utilized for Phase I production

Complete development and implementation of fixturing and automation needed to support Phase II build at Optex

Complete transfer to B&L of duplicate fixtures and test stations utilized for Phase II production

Complete engineering design development support for B&L automation scale-up to 10,000 units/month

Complete engineering design development support for B&L automation scale-up to 20,000 units/month

Complete engineering design development support for B&L automation scale-up beyond 20,000 units/month

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

1

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
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Amounts inapplicable or not disclosed as a separate line on the Consolidated Financial statements are reported as 0 herein.