FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the fiscal year ended December 31, 2005

☐ 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 [333-123431]

PATHOGENICS, INC.

(Exact name of issuer as specified in its charter)

Delaware	43-2078278
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

99 Derby Street, Suite 200, Hingham, MA 02043
(Address of principal executive offices, including zip code)

(781) 556-1090
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Exchange Act:

None

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

Common Stock, $0.001 par value per share

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. Yes ☒ No ☐

The issuer's revenues for the fiscal year ended December 31, 2005 were Nil.

As of June 22, 2006 there were 47,667,615 outstanding shares of common stock, par value $.001 per share.

Transitional Small Business Disclosure Format: Yes ☐ No ☒

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

OVERVIEW

We are a biopharmaceutical company engaged in the acquisition, development and commercialization of novel therapeutics that have potential significant commercial viability and that target certain unmet market needs. The Company does not initiate any in-house research or development programs but instead outsources as many activities as possible, thereby minimizing fixed costs and maximizing development flexibility. We believe that this business model allows a flexible approach to partnering during the development process.

We currently own the rights to the two following technologies:

- N-chlorotaurine, a novel anti-microbial agent that has been shown to produce broad spectrum activity against bacteria, fungi, and viruses in preclinical animal models and in small-scale clinical studies for various topical body-cavity infections; and
- Chloroquine Diphosphate based formulations to reduce motor complications provoked by current dopamine replacement therapy in Parkinson's diseases patients and as a treatment for arresting the progression of Parkinson's Disease.

We are primarily focused on developing these two technologies. Our core business strategy is to add value to our technologies by developing them up to the point they demonstrate efficacy in small-scale clinical trials and we obtain US Food & Drug Administration ("FDA") approval of an Investigational New Drug ("IND") application. We then plan to license them out to larger pharmaceutical companies for FDA approved larger-scale clinical efficacy trials (Phase I, II and III trials), FDA New Drug Approval ("NDA"), and sales and marketing, in return for upfront and milestone payments and royalties. To date, neither product candidate has completed the pre-clinical development necessary to support an FDA IND application which is required to conduct FDA approved clinical trials. Furthermore, the Company has out-licensed only one product to date, and we have only recently received any commercial revenues.

All of the research and development which has been completed on N-chlorotaurine has been completed by the researchers in Austria. The researchers have completed studies on the impact of N-chlorotaurine on the Candida virus; studies on the chemical properties of N-chlorotaurine and how it is a key compound in the human defense system to infections; research on N-chlorotaurine for the treatment of infected leg ulcers; a study of the influence of N-chlorotaurine on nasal mucous; the application of N-chlorotaurine to combat sinus infections complicated by immune suppression; the tolerability of N-chlorotaurine in the middle ear of a guinea pig; the efficacy and tolerability of N-chlorotaurine in treating swimmers ear; the efficacy and tolerability of N-chlorotaurine in treating pink eye; and the tolerability of N-chlorotaurine in treating sinus infections.

All of the research and development on Chloroquine Diphosphate has been conducted by Alpha Research Group, LLC. Alpha Research Group, LLC has conducted a ten (10) patient clinical study using less than one half of the conventional malarial treatment dose of commercially available Chloroquine Diphosphate in a time-released formula with a brain targeting agent. Data from this study showed that Alpha Research Group, LLC's novel Chloroquine Diphosphate formulation alleviated both Parkinson's Disease motor symptoms in patients diagnosed with Parkinson's Disease, as well as the manifestation of involuntary jerky motions in patients and was generally well tolerated even after several months of continual use.

Because all of our potential products are currently in research, preclinical development or the early or middle stages of clinical testing, revenues from the sales of any of our products will not occur for at least the next several years, if at all. As a result, we will need to raise substantial additional funds in the future to continue our research and development programs and to commercialize our potential products. We hope to obtain means of financing our operations through debt and/or equity financing in connection with a proposed merger with Egenix, Inc.

and will continue to seek funding through various sources, including the sale of the Company's securities, collaborative arrangements with third parties and other strategic alliances and business transactions.

CORPORATE STRUCTURE

The Company was incorporated in Delaware on December 16, 1997 as “Niktronic, Inc.” On that same day, the Company’s Board of Directors approved a change in the Company’s name to “Needle Impulse Technologies, Inc.” and on January 20, 1998, the Company filed a Certificate of Amendment with the Delaware Secretary of State to affect the name change to “Needle Impulse Technologies Corp.” On February 28, 2002, the Company’s corporate charter with the State of Delaware was revoked for non-payment of taxes. On February 2, 2005, the Company filed a Certificate for Renewal and Revival of Charter with Delaware to restore, renew and revive the Company’s corporate charter, which was granted by the Secretary of State of Delaware.

On February 8, 2005, the Company affected a 503.83:1 forward stock split.

On February 9, 2005, the Company filed a Certificate of Amendment with the Delaware Secretary of State to change the Company’s name to “Pathogenics, Inc.” and to authorize 110,000,000 share of stock of which 100,000,000 are shares of Common Stock, $.001 par value per share, and of which 10,000,000 are shares of serial Preferred Stock, $.001 par value per share.

From December 16, 1997, until February 10, 2005, the date of the Reorganization (defined below), the Company had no business operations and was wholly owned by First Vulcan Corporation, a Delaware corporation (“Vulcan”).

On February 10, 2005, the Company entered into an Agreement and Plan of Reorganization with Tyrol Therapeutics, LLC, formerly Pathogenics, LLC, a Delaware limited liability company (“Tyrol”) and the members of Tyrol, whereby each member of Tyrol exchanged all of their interest in Tyrol for shares of the Company’s Common Stock (the “Reorganization Agreement” and the “Reorganization”). As a result of the Reorganization, Tyrol became a wholly owned subsidiary of the Company, and the Company ceased to be a wholly owned subsidiary of Vulcan Corporation. Henceforth throughout this annual report, unless otherwise stated, all references to the “Company” include “Tyrol Therapeutics, LLC.”

Agreement and Plan of Merger with Egenix, Inc.

On May 4, 2006, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Egenix, Inc. (“Egenix”), a Delaware corporation. The Merger Agreement provides that Egenix shall merge with and into Pathogenics (the "Merger") and the Company shall become the surviving corporation (the “Surviving Corporation") and shall change its name to Egenix, Inc.

Upon the effectiveness of the Merger, all of the outstanding capital stock of Egenix will be converted into capital stock of Surviving Corporation (the "Surviving Corporation Capital Stock") on a one-for-one basis. The Surviving Corporation will assume all outstanding options, warrants and rights to purchase shares of capital stock of Egenix. Pending consummation of the Merger, the Company shall use commercially reasonable efforts to register the Common Stock of Surviving Corporation (the “Surviving Corporation Common Stock”) issued in the Merger pursuant to the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration statement filed with and declared effective by Securities and Exchange Commission (the “SEC”) and either to effect (i) a listing of the Surviving Corporation Common Stock on the American Stock Exchange (the "Exchange") or (ii) the continuing quotation of the Surviving Corporation Common Stock on the “Bulletin Board” and to prepare a disclosure statement containing the necessary information to comply with Rule 15(c)2(11) promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, and file such forms with one or more firms who are members of the National Association of Securities Dealers, Inc. (the “NASD”) and with the NASD as are necessary to effect the foregoing. The shares of preferred stock of the Surviving Corporation issued pursuant to the Merger into which shares of preferred stock of Egenix have been converted will be “restricted securities” within the meaning of the Securities Act.

Immediately prior to the Effective Date, the Company shall effect an approximately 100-for-1 reverse split (the "Reverse Split") of its outstanding capital stock such that the number of shares of the Company's Common Stock outstanding immediately prior to the effective time shall equal six percent (6%) of the issued and outstanding shares of Common Stock and common equivalents of the Surviving Corporation outstanding immediately after the effectiveness of the Merger after giving effect to any shares, or rights to acquire shares, issued as a part of or in connection with any financings contemplated in connection with the Merger, any shares of common stock underlying the Series A preferred stock and all convertible debt on an as converted to common stock basis, but not including options or warrants to acquire shares of Egenix capital stock outstanding immediately prior to the Effective Date or convertible debt incurred by Egenix from affiliates thereof from and after the date hereof. The parties hereto agree that any convertible debt incurred by Egenix from its affiliates from and after the date hereof will be converted, if at all, at a price of not less than $2.00 per share of Egenix Common Stock, or common stock equivalent, or Surviving Corporation Common Stock, or common stock equivalent, as the case may be. Upon the consummation of the Merger, all shares of capital stock of Egenix, including shares of common and Series A Preferred Stock, shall be cancelled. The shares of Series A Preferred Stock issued by the Surviving Corporation will be restricted securities as defined in Regulation D and Rule 144 of the 1933 Act with the same ranking, rights and terms as the original Egenix shares of Series A Preferred Stock.

The Company's obligations under the Merger Agreement are subject to the satisfaction of certain conditions at or before the Effective Date. As soon as possible between the date of the Merger Agreement and until successful completion of one or more Bridge Financing(s) (hereinafter defined), Egenix shall use commercially reasonable efforts to obtain financing by calling in its currently outstanding warrants to purchase common stock ("Warrant Call"). The proceeds of such Warrant Call shall be used to finance the continuing activities of the parties prior to the successful completion of such Bridge Financings. As soon as practicable after the proceeds from the Warrant Call are available, the Company shall receive the lesser of 28.5% or $100,000 of the proceeds of the Warrant Call. As soon as possible between the date of the Merger Agreement and prior to ninety (90) days after the execution of the Merger Agreement, Egenix and/or the Company shall use commercially reasonable efforts to obtain financings in the form of sales of equity securities or debt instruments for an aggregate of $5,000,000 ("Bridge Financing"). Any debt instruments will, subject to market conditions, require interest thereon payable in kind in the form of the Surviving Corporation's common stock. In addition to financing the parties' continuing activities prior to the Closing, up to $150,000 of proceeds of such Bridge Financing may used immediately to repay and retire certain of the Company's then outstanding current liabilities. Upon successful completion of one or more pre-Merger Bridge Financing(s) by the parties and as soon as practicable after the proceeds are available, the Company shall receive the lesser of 28.5% of the proceeds or $100,000 per month until the Closing, plus the sum of $50,000 as required for the payment of Registration Statement legal fees. Prior to or contemporaneously with the effectiveness of the Merger, the Surviving Corporation will privately offer and sell up to $10,000,000 - $15,000,000 of its capital stock (the "PIPE"). Payment of the parties' transaction costs associated with the Letter of Intent, the Merger, the Warrant Call, the Bridge Financing and the PIPE (as such terms are hereinafter defined) shall be in addition to the aforementioned sums.

Ratification of this Agreement by a majority of the stockholders of the Company shall be a condition to closing of this Agreement as shall approval of an amendment to the Certificate of Incorporation of the Company to approve the Reverse Split which shall be effective immediately prior to the Effective Date. In the alternative, this Agreement may be approved by the written consent of the persons holding a majority of the votes represented by shares of Company's Common Stock entitled to vote thereon.

Ratification of this Agreement by a majority of the stockholders of Egenix shall be a condition to closing of this Agreement. In the alternative, this Agreement may be approved by the written consent of the persons holding a majority of the votes represented by shares of Egenix Common Stock and Preferred Stock entitled to vote thereon.

The Closing of this transaction presently is intended to be not later than December 31, 2006.

TECHNOLOGIES

N-Chlorotaurine

Pursuant the March 29, 2006 license agreement with Dr. Waldemar Gottardi and Dr. Markus Nagl, the Company owns rights to N-Chlorotaurine, a chemical substance produced within the body by white blood cells during an inflammatory reaction. N-chlorotaurine is known to play an important role in the part of the immune system that helps ward of infection and disease because of its antimicrobial properties against a broad spectrum of microorganisms and immune regulatory functions. N-chlorotaurine was initially developed by researchers at the University Hospital of Innsbruck and the Institute of Hygiene and Social Medicine, Leopold-Franzens-University of Innsbruck, Austria.

In pre-clinical studies conducted by the researchers, N-chlorotaurine demonstrated the ability to kill bacteria, viruses, parasitic intestinal worms, and destroy or inhibit the growth of fungi.

Additional pre-clinical studies conducted by the researchers showed that when N-chlorotaurine was applied in the presence of human nasal mucus, its ability to destroy microorganisms was increased.

Despite its broad-spectrum activity, the toxicity of N-chlorotaurine against human cells is extremely low. Its breakdown products are the amino acids taurine and chloride, simple organic compounds that are the building blocks of proteins. These amino acids are found in the human body and therefore represent virtually no toxic potential and do not induce allergic reactions. A standard test to screen for potential toxicities was performed by PanLabs Incorporated (78 single tests, 41 thereof in vivo (in a living organism) with a total of 240 mice). Results of the test revealed no signs of toxicity.

These features encouraged the researchers to investigate the usability of N-chlorotaurine as a topical agent for the treatment of infections in human medicine. The researchers completed several clinical trials testing the safety, tolerance and efficacy of N-chlorotaurine as a topical agent for the treatment of infections. The research done on N-chlorotaurine to date has demonstrated the usability of N-chlorotaurine as a topical treatment for infections, and has produced initial data on efficacy and safety to justify the further development of the compound.

The clinical trials conducted by the researchers to date have proved N-chlorotaurine's tolerability on the skin and mucous membranes and have demonstrated initial signs of efficacy in:

- outer ear infections;
- infected leg ulcers;
- eye infections; and
- inflammation of the sinuses caused by infections

Potential Market for N-chlorotaurine

The Company believes that there are solid commercial justifications for pursuing new antimicrobial treatments because:

1. This field is considered the third largest in terms of annual sales, surpassed only by drugs for treating central nervous system disorders and cardiovascular disease. Anti-infectives are the third largest segment of the pharmaceutical industry, with annual sales totaling $45 billion. Of the $45 billion in the anti-infectives markets, 62% is for antibacterials, 12% is for HIV, 6% is for other viral infections, 7% is for antifungals, and 13% is for vaccines and immunology. The 4-year compounded growth rate for anti-infectives is strong at 10%. The best markets for anti-infectives are the United States (48%), Europe (22%), and Japan (13%).
2. A higher percentage of anti-infectives make it to the market due to the fact that safety issues are well defined and preclinical models are more predictive for optimal efficacy.

3. Broad-spectrum, multi-indication anti-infective drugs generally have potential annual sales of $1 billion within three years of market introduction.

4. Treatment of sinus and ear infections are the most common reason for outpatient antibiotic prescriptions, and conjunctivitis (eye infections commonly referred to as “pink eye”) is considered the most common reason for non-traumatic eye complaints.

Research and Development of N-chlorotaurine

All of the research and development which has been completed on N-chlorotaurine has been completed by the researchers in Austria. Since October 2001, the following research and development works have been completed and published by the researchers:

(1) The impact of N-chlorotaurine on the Candida virus (2002);
(2) Explanation of the chemical properties of N-chlorotaurine and how it is a key compound in the human defense system to infections (2002);
(3) Comparison of N-chlorotaurine with another treatment - chloramine T - for the treatment of infected leg ulcers (2003);
(4) Study of influence of N-chlorotaurine on nasal mucous (2003);
(5) Application of N-chlorotaurine to sinus infections complicated by immune suppression (2003);
(6) Down-regulatory effect of N-chlorotaurine (2004);
(7) Tolerability of N-chlorotaurine shown in the middle ear of a guinea pig (2004);
(8) Efficacy and tolerability of N-chlorotaurine in treating Otitis Externa (“swimmers ear”) (2004)
(9) Chlorine Covers on Living Bacteria: The Initial Step in Antimicrobial Action of Active Chlorine Compounds (2005);
(10) Tolerability and efficacy of N-chlorotaurine in epidemic keratoconjunctivitis (“pink eye”) (2005);
(11) Tolerability of N-chlorotaurine in chronic rhinosinusitis applied via yamik catheter (2005); and
(12) Protein sites of attack of N-Chlorotaurine in *Escheria coli* (2006).

The Company believes that most, if not all, of the pre-clinical studies conducted by the researchers should be admissible to the FDA to support the filing of the Company's IND application on N-chlorotaurine. Nonetheless, the Company believes it will be necessary for it to conduct further preclinical studies, including formulation and toxicology studies, in order to complete an IND application on N-chlorotaurine. Although the researchers are under no contractual obligation to permit us to use their pre-existing research in support of our IND application, we have no reason to believe they would deny our use of this research as the researchers stand to benefit from our IND application. In the event that the researchers do not permit us to use their pre-existing research in support of our IND application, we will have to duplicate it at substantial and unknown additional cost of time and expense, which amounts we do not currently have.

All the clinical trials conducted to date by the researchers were conducted according to Good Clinical Practice (“GCP”) guidelines under the approval of the University of Innsbruck Ethics Committee and Austrian Ministry of Health and Women. GCP guidelines are internationally accepted (including the USA) ethical and scientific quality standards for designing, conducting, recording, monitoring, auditing, recording, analyzing and reporting clinical trials that involve the participation of human subjects. Compliance with these standards provides public assurance that the rights, safety, and well-being of trial subjects are protected, and that the clinical trial data are credible. Although the clinical trials to date have been conducted according to GCP guidelines, they have not been conducted under the auspices of an FDA approved IND application and as a result, these clinical studies will have to be reproduced under an FDA approved IND before they can be submitted to the FDA as part of an NDA application for any particular indication.

The researchers themselves have primarily funded their research work on N-chlorotaurine at limited cost to the Company (performing medical research on promising compounds like N-chlorotaurine is part of their job responsibilities as research faculty at the University on Innsbruck). Additionally, 263,859 euro (approximately US $326,130 as of August 16, 2005 of philanthropic medical research grant assistance has been provided to the researchers by the Austrian Science Foundation and the Jubilee Fund of the Austrian National Bank from 1997 - 2004 (98,399 euro from ’97-’99 (approximately US $121,621 as of August 16, 2005); 1,400 euro from ’97-’98 (approximately US $1,730 as of August 16, 2005); 27,761 euro from ’00-’01 (approximately US $34,313 as of August 16, 2005); and 87,230 euro from ’01-’04 (approximately US $107,817 as of August 16, 2005)). The researchers continue to apply for research grants from philanthropic organizations, but there can be no assurance they will receive additional grants in the future.

While the Company is under no contractual obligation to provide current or future research support to the researchers, it believes the researchers ongoing research of N-chlorotaurine contributes to further the scientific development of N-chlorotaurine as an effective human topical medication. Accordingly, the researchers have requested, and the Company’s management has indicated their intention to provide the researchers funding to partially support their ongoing research on N-chlorotaurine, through debt and/or equity financing in connection with the Merger, if available after paying off the Company’s then liabilities. The planned clinical studies in progress are focused on obtaining additional safety and efficacy data on N-chlorotaurine as well as to further define optimal dosing parameters for future large-scale clinical studies in several topical body cavity infections.

On April 13, 2006, the Company entered into a patent license agreement with Acuity Pharmaceuticals, Inc. (“Acuity”), a Delaware corporation. As part of the license agreement, Acuity gains exclusive worldwide development and commercialization rights to N-Chlorotaurine, or NCT, a novel anti-infective compound for the treatment of ophthalmic diseases and infections, such as viral conjunctivitis, bacterial conjunctivitis and herpetic keratitis. Acuity is now responsible for clinical development, regulatory activities and commercialization of this compound in ophthalmic indications. Acuity is contractually obligated to provide the Company with any data generated in the course of such activities and all applications and data submitted to any regulatory agency (e.g. the FDA or EMEA), and the Company has non-exclusive rights to this information for research and development activities outside the ophthalmic indications. The Company retains the exclusive worldwide rights to NCT for all indications other than ophthalmic applications. As consideration for the license agreement, Acuity paid the Company an up-front licensing fee, and is obligated to pay minimum annual license fees, as well as potentially multiple millions of dollars worth of development milestones and royalties.

Because of N-chlorotaurine’s demonstrated safety profile and broad spectrum activity established in preclinical and clinical studies conducted by the researchers to date, the Company plans on continuing the development of N-chlorotaurine as a topical agent for the treatment of several body cavity infections.

The Company plans to prepare and file an IND application with the FDA and reproduce some or all of these trials under FDA approval in an effort to gain FDA approval for N-chlorotaurine in the United States, of which the Company can provide no assurance. As part of the development plan, the Company plans on conducting further preclinical studies, including formulation studies, to support the filing of the Company's IND application on N-chlorotaurine. Once we begin the IND support studies, we anticipate them taking approximately 24 months to complete, at a total direct cost of approximately $400,000. We plan to raise the $400,000 to fund this program through debt and/or equity financing in connection with the Merger, which may have a dilutive effect on our then shareholders, and which we can give no assurance will be raised. We intend to start this development program once we receive all, or a significant portion of these additional funds. Assuming that there are no unusual findings during the balance of the IND support studies and that we raise sufficient funds, we will proceed to file the IND.

The Company plans to use the information put together for the IND, if funding permits its completion, to show the potential value of N-chlorotaurine to larger pharmaceutical companies. During this process, we intend to license the N-chlorotaurine patents to additional larger pharmaceutical companies for FDA approved clinical trials (Phase I, II and III trials), FDA New Drug Approval (“NDA”), and sales and marketing in return for upfront and milestone payments and royalties (the FDA approval process is described below in further detail under the

subheading “Need for Government Approval” later in this section). The Company intends for any present and future licensee to first obtain regulatory approval in the US, and thereafter seek regulatory approval outside the US in as many countries as deemed economically justifiable.

Chloroquine Diphosphate

Pursuant the May 25, 2005 license agreement with Alpha Research Group, Inc. ("Alpha") and Jodi A. Nelson, the Company owns rights to novel derivatives and formulations of Chloroquine Diphosphate for the treatment of Parkinson's disease and as an agent to reduce the debilitating side effects caused by current Parkinsonian drug therapies. Additionally, although the Company hopes to develop these products in the future, it has not paid for any research and/or development on Chloroquine Diphosphate to date, and is not currently involved in any developmental activities regarding this compound.

Chloroquine Diphosphate is a synthetically manufactured agent that has been used for both preventing and treating malaria.

After examining the available work related to chloroquine, investigators at Alpha discovered that Chloroquine Diphosphate has certain biological properties that rendered it potentially beneficial for treating persons afflicted with Parkinson's Disease. Based on their research, they have patented novel derivates and formulations of Chloroquine Diphosphate for alleviating motor symptoms, involuntary or jerky movements and arresting the progression of Parkinson's Disease and associated neurological disorders.

Parkinson's Disease is a progressive neurodegenerative disorder in which dopamine cells responsible for normal motor movement irreversibly degenerate to the point of inducing severe disability. In advanced stages of Parkinson's Disease, wide spread neurodegeneration encompasses multiple other neurotransmitter systems, rendering most treatments ineffectual. Parkinson's Disease was the first disease treated by drugs that act to replace the deficient neurotransmitter, dopamine. Symptoms usually begin to manifest in middle to later life with mild symptoms such as trembling of the lips and hands, loss of facial expression, and muscular rigidity; however, cases juvenile or 'early onset' Parkinson's Disease, can afflict persons in their late 30's and early 40's. As the disease progresses, it brings on debilitating symptoms such as body tremors, particularly in muscles at rest. Movements become slow and difficult; walking degrades to a shuffle. After 5-10 years, physical incapacity sets in. Non-motor symptoms, such as dementia occurs in at least 50% of the patients; depression is also very common.

Levodopa, the chemical precursor of dopamine, has been used in the treatment of Parkinson's Disease for more than 30 years. While levodopa remains the standard treatment for Parkinson's Disease, over time its side effects oftentimes become more debilitating than symptoms of the disease itself. Invariably, sustained levodopa use produces impairment of voluntary movements resulting in fragmented or jerky motions in patients ("dykinesia"). Dyskinesia is the most common form of drug-induced movement disorder and virtually all patients with Parkinson's Disease who take levodopa are susceptible to developing these long-term complications, with about 50-75 percent of patients developing such complications within 5-10 years. Dyskinesia is a severely disabling condition characterized by involuntary movements, chaotic and uncontrollable movements of limbs, face, and mouth that oftentimes necessitate long-term hospitalization or even lifetime nursing home care. Moreover, there are no pharmaceuticals presently approved by the FDA for the treatment of dyskinesia.

Based on Alpha's and Jodi A Nelson's research on Chloroquine Diphosphate (suggesting it as a potentially useful approach for the treatment of Parkinson's Disease), Alpha filed and was issued US Patent # 6,417177 and has filed corresponding patent applications in other major countries around the world. Alpha and Jodi A. Nelson believe that the biological properties of chloroquine are ideal for its development as treatment to reduce motor complications provoked by current dopamine replacement therapy in Parkinson's diseases patients and as a treatment for arresting the progression of Parkinson's Disease.

The currently marketed formulations of Chloroquine Diphosphate are used to treat malaria and other non-neurological disorders and are unlikely to be useful in Parkinson's Disease. Chloroquine Diphosphate is rapidly metabolized by the body, following which it is incapable of accumulating in the brain in amounts needed to effectively treat Parkinson's Disease. For this reason, investigators at Alpha have defined novel formulations having the potential to surmount these limitations. Thus Alpha has devised novel formulations of Chloroquine Diphosphate that inhibit its rapid peripheral metabolism and increase its incorporation into the brain. These novel compositions represent a unique and much safer strategy for exploiting Chloroquine Diphosphate's beneficial central nervous system effects.

Research and Development of Chloroquine Diphosphate

Alpha conducted a ten (10) patient clinical study using less than one half a conventional malarial treatment dose of commercially available Chloroquine Diphosphate in a time-released formula with a brain targeting agent. Data from this study showed that Alpha's novel Chloroquine Diphosphate formulation alleviated both Parkinson's Disease motor symptoms in patients diagnosed with Parkinson's Disease, as well as abolished the manifestation of involuntary jerky motions in patients and was generally well tolerated even after several months of continual use. The licensors believe that Alpha's more novel formulas, entailing the use of select Chloroquine Diphosphate derivatives, will further improve Chloroquine Diphosphate's safety and tolerability profile, rendering it a beneficial treatment for Parkinson's Disease and other serious neurological disorders.

The Company plans on further developing novel therapies based upon Alpha's intellectual property for the application of Parkinson's disease, levodopa induced dyskinesias and other debilitating neurological disorders. As part of the development plan, the Company plans on conducting further preclinical studies, including formulation and efficacy studies in rodent and non-human primate models for Parkinson's Disease, to support the filing of the Company's IND application. Following the IND approval, we intend to undertake and complete Federal Drug Administration approved Phase I and II clinical trials. Assuming we begin the development program studies, we anticipate it taking approximately 30 months to complete such studies, at a total direct cost of approximately $2,000,000. We plan to raise the $2,000,000 through debt and/or equity financing in connection with the Merger. We intend to start this development program once we receive all, or a significant portion of these additional funds. Assuming that there are no unusual findings during the balance of the development program studies and that we raise sufficient additional funds to begin and complete such studies, we plan to proceed to complete the studies through a Phase II clinical trial.

The Company will use the clinical trail data to show the potential value of Chloroquine Diphosphate to larger pharmaceutical companies. Following the completion of Phase II trial, we intend to license the Chloroquine Diphosphate patents to larger pharmaceutical companies for Federal Drug Administration approved Phase III clinical trials, FDA New Drug Approval ("NDA"), and sales and marketing in return for upfront and milestone payments and royalties (the FDA approval process is described below in further detail under the subheading "Need for Government Approval"). The Company intends any future licensee to first obtain regulatory approval in the US, and thereafter seek regulatory approval outside the US in as many countries as deemed economically justifiable by the future licensee.

Potential Market for Chloroquine

Parkinson's disease is a common progressive neurological disorder resulting from the degeneration of nerve cells (neurons) in a region of the brain that controls normal motor movement. A great majority of Parkinson's patients suffer from dyskinesia and a wearing-off of drugs used to treat the disease in both moderate to advanced stages of the disease. Dyskinesia is a severely disabling condition with chaotic and uncontrollable movements that often necessitates hospitalization, neurosurgery or even lifetime nursing home care.

Employees

The Company has two (2) employees, Frederic P. Zotos, the Company's Chief Executive Officer, who works for the Company on a full-time basis and Michael Ferrari, the Company's Vice President, who works for the Company on a part-time basis. All of the Company's research is conducted by N-chlorotaurine's inventors in Austria and/or outsourced to private research contractors, and there is currently no research being done on Chloroquine Diphosphate. Moving forward, the Company anticipates most of the European clinical work to continue to be conducted by the Austrian inventors, with the majority of the U.S. Food and Drug Administration clinical work to be conducted by the Company and American clinical research contractors.

Competition

Competition among biotechnology, pharmaceutical, and other companies that research, develop, manufacture, or market pharmaceuticals is intense and is only expected to increase. Some competitors, principally large pharmaceutical companies, have greater clinical, research, regulatory, and marketing resources and experience than the Company. If the Company is able to bring N-chlorotaurine and/or Chloroquine Diphosphate to the marketplace, of which there can be no assurance, the Company will face product competition from firms in the United States, Europe, Canada, Australia, and elsewhere. Additionally, some of the Company's competitors, including biotechnology and pharmaceutical companies, are actively engaged in research and development to create products with similar features as N-chlorotaurine and/or Chloroquine Diphosphate.

The Company believes that there are solid commercial justifications for pursuing a new antimicrobial treatment such as N-chlorotaurine. Current treatments for sinus infections include antibiotics such as Amoxil, Avelox, Bactrim, Tequin, or cephalosporin. Additionally, Factive, a new antibiotic developed by Oscient Pharmaceuticals, is currently in Phase III clinical trial for the treatment of acute bacterial sinusitis (sinus infections). Current treatment for ear infections consists of antibiotics, including such drugs as ampicillin, amoxicillin, erythromycin, one of the cephalosporin antibiotics, Floxin Otic, or the combination drug trimethoprim/sulfamethoxazole (Bactrim). However, antibiotic resistance has emerged as a major public health threat, prompting the U.S. Centers for Disease Control and Prevention ("CDC") and the U.S. FDA to campaign against overuse of the medications. Therefore, the Company believes that there is currently a strong need for the development of novel broad spectrum antimicrobial agents that do not promote the development of drug resistance. The Company believes that N-chlorotaurine has the potential to meet the needs of these markets.

At this time, no treatment has been shown to slow or stop the progression of Parkinson's Disease. Instead, therapy is directed at treating the symptoms that are most bothersome to an individual with Parkinson's Disease. Levodopa is the most effective and most widely used symptomatic Parkinson's Disease treatment and has remained the "gold standard" of care for nearly 40 years. The vast majority of people with Parkinson's Disease eventually require levodopa treatment to control their symptoms, even if they begin their therapy with another drug. However, after several years of treatment with levodopa, patients often begin to experience motor complications, such as "wearing-off" (when the effect of one dose of medication does not last until the next scheduled dose) and impairment of voluntary movements resulting in fragmented or jerky motions (known as "dyskinesia"). Sometimes its side effects of levodopa therapy become more debilitating than symptoms of the disease itself. Over the years, a number of substitutes for levodopa have been developed that are used in the place of levodopa or in combination with it. One such product is Stalevo, developed by Orion Pharma and marketed by Novartis and Orion Pharma.

To our knowledge, other drugs being developed for the treatment of levodopa induced dyskinesia's include Fipamaezole and Sarizotan. Fipamaezole is being developed by Juvantia Pharma and has completed a phase II clinical trial in 2004. Sarizotan is being developed by EMD Pharmaceuticals and is in Phase III clinical trials. We believe however that the disease currently lacks a treatment that is safe and effective for most patient groups, and that Chloroquine Diphosphate has the potential to meet the needs of this market.

Patents, Trademarks and Licenses

License Agreement for Patent Rights In Connection with N-Chlorotaurine

The Company holds rights under a license agreement entered into March 29, 2006 (replacing the previous license agreement of October 18, 2001) with Dr. Waldemar Gottardi and Dr. Markus Nagl, to worldwide exclusive license patent rights in connection with patents relating to N-Chlorotaurine and any technology relating to those patent rights or improvements.

Under the license, the Company must pay the licensors jointly and severally during the term of the license (described below), a total royalty of 4% of the gross sales of all licensed products sold by the Company in connection with the patents rights, a total of 20% of any payments which the Company receives from any sublicenses, a one-time payment of $100,000, payable upon the first-time issuance of the first patent of each patent family for a licensed product or licensed process, a one-time payment of $250,000 payable upon successful completion of a Phase III clinical trial for each licensed product or licensed process, and a one-time milestone payment of $1,000,000 payable upon receiving new drug approval for each licensed product or licensed process. The Company has yet to patent or gain approval for any products based on N-chlorotaurine. When due, all of the payments required under the license are payable by the Company in cash or in shares of the Company's registered Common Stock. Additionally, the Company must maintain the patents covered under the license and provide reports to the licensors within 60 days after June 30 and December 31, setting forth the amount of licensed products sold, net proceeds and royalties due. The license will remain in effect until a) the patents expire, or b) the Company ceases selling any products in connection with the license, revokes all sublicenses, gives notice to the licensors of its intent to terminate the license, and tenders payments of all royalties, and c) in the event that the Company remains more than 60 days in arrears in payment of royalties or expenses due pursuant to the license.

Under the license, the Company agreed to indemnify the licensors, heirs and their assigns against any liability, damage, loss or expenses incurred in connection with claims, suits, actions, demands or judgments arising out of any theory of product liability concerning any product, process or service made, used or sold pursuant to any right or license granted under the license.

All the following patent applications covering N-chlorotaurine are either exclusively licensed or assigned to the Company by their inventors.

The Company currently has pending four German patent applications, two Patent Cooperation Treaty ("PCT") applications, an international treaty currently signed by 112 contracting countries (including the US) that provides a mechanism by which a person can file a single patent application that, when certain requirements have been fulfilled, is equivalent to a regular national patent application in each of the designated contracting countries, and one US patent application pending, which the Company can provide no assurance will be granted, which cover the use of N-chlorotaurine for the treatment of chronic sinus infections, for treating oozing tissue deficiencies (e.g. outer ear infections, infected skin ulcers) and its use as a fungicidal agent and against protozoa, as well as an improved therapeutic formulation for the treatment of conjunctivitis ("pink eye"). All of the patent applications listed below are pending and the Company is awaiting responses from the respective patent offices.

- DE 10045868.8; Filing Date: September 14, 2000; entitled "Remedy for treatment of acute and chronic Rhinosinusitis and its application."
- DE 10144819.8; Priority Application: DE 10045868.8; Filing Date September 11, 2001 (New Matter Added regarding Otitis Externa and Crural Ulcers); entitled "Fungicidal substance and its application."
- WO 02/22118; Priority Application: DE 10045868.8; Filing Date September 10, 2001; entitled "Fungicidal agent containing N-Chlorotaurine and use thereof."
- US 2004/0116521 A1; Priority Application: DE 10045868.8; Filing Date September 10, 2001; entitled "Fungicidal agent containing N-Chlorotaurine and use thereof."
- WO 2004/052355 A1; Filing Date: December 6, 2002; entitled "Use of N-Chlorotaurine for treatment of oozing tissue deficiencies."
- DE 102005023198.5; Filing Date: May 14, 2005; entitled "Aqueous solutions containing chloramine which are free from di- and trichloroamine, as well as from ammonia."
- DE 102005038992.9; Filing Date: August, 16, 2005; entitled "Substance against protozoa and its application."

License Agreement for N-Chlorotaurine for Ophthalmic Indications with Acuity Pharmaceuticals, Inc.

On April 13, 2006, the Company entered into a patent license agreement with Acuity Pharmaceuticals, Inc. (“Acuity”), a Delaware corporation. As part of the license agreement, Acuity gains exclusive worldwide development and commercialization rights to N-Chlorotaurine, or NCT, a novel anti-infective compound for the treatment of ophthalmic diseases and infections, such as viral conjunctivitis, bacterial conjunctivitis and herpetic keratitis. Acuity is now responsible for clinical development, regulatory activities and commercialization of this compound in ophthalmic indications. The Company retains the exclusive worldwide rights to NCT for all indications other than ophthalmic applications. As consideration for the license agreement, Acuity paid the Company an up-front licensing fee, and is obligated to pay minimum annual license fees, as well as potentially multiple millions of dollars worth of development milestones and royalties.

The Company engaged the services of Qualified Ventures, LLC ("QV") on February 17, 2006 as a consultant in connection with the patent license agreement with Acuity Pharmaceuticals, Inc. In the capacity as a consultant, QV introduced the Company to Acuity. In consideration for such efforts and services, the Company must pay QV a fee equal to a percentage of the amount of the total consideration paid by Acuity to the Company, its employees, former or current equity holders in connection with the license agreement according to the following formula: (1) Five percent (5%) of the first $1,000,000 received; (2) Four percent (4%) of the second $1,000,000 received; (3) Three percent (3%) of the third $1,000,000 received; (4) Two percent (2%) of the fourth $1,000,000 received; and (5) One percent (1%) of any amount received thereafter.

License Agreement for Chloroquine

On May 25, 2005, the Company entered into an exclusive license agreement with Alpha Research Group, LLC, a Nevada limited liability corporation ("Alpha") and Jodi A. Nelson ("Nelson"). In connection with the exclusive license agreement, the Company paid Alpha $20,000 which was loaned to the Company by William Mackey and William L. Sklar, a Director of the Company (as described in further detail below), and agreed to provide sufficient funding for the protection and continued clinical development of products stemming from certain patents in connection with the novel therapeutic use or formation of Chloroquine Diphosphate and any of its derivatives.

Under the exclusive license agreement, the Company agreed to pay Alpha 4% of the net sales of Chloroquine Diphosphate in each country that Chloroquine Diphosphate is sold, if the Company uses the licensing rights obtained in connection with the exclusive license agreement to sell Chloroquine Diphosphate, beginning on the date that Chloroquine Diphosphate is commercially sold. Additionally, the Company agreed to pay Alpha (a) $100,000 payable in cash or registered stock of the Company upon the successful completion of a phase II clinical trial for each product derived in connection with the patent rights for Chloroquine Diphosphate, (b) $250,000 payable in cash or registered stock of the Company upon the successful completion of each phase III clinical trial for each product derived in connection with the patent rights for Chloroquine Diphosphate, and (c) $1,000,000 payable in cash or registered stock of the Company upon the receipt of each new drug approval for each product derived in connection with the patent rights for Chloroquine Diphosphate. The term of the exclusive license agreement is until the expiration of the last patent right associated with Chloroquine Diphosphate under the exclusive license agreement, upon 30 days written notice from the Company to Alpha, or for cause. The Company has not paid Alpha any monies under the exclusive license agreement, as Chloroquine Diphosphate is still in the research and development stage.

On May 9, 2006, the Company received a notice of termination of the license agreement executed on May 25, 2005, between Alpha, Nelson and the Company. The Company believes in good faith that the notice of termination is entirely ineffective, that the license agreement has not been terminated and remains in full-force and effect, and that the Alpha's and Nelson's claims in support of termination are entirely without merit. The Company has elected to seek relief through application of the formal dispute resolution process in accordance with the clear provisions of license agreement, and intends to vigorously defend its position.

On May 25, 2005, the Company entered into an assignment agreement with First Coventry Corporation, which was incorporated under the laws of Delaware on May 24, 2005 ("First Coventry"), to assign the license agreement which the Company received previously from Alpha to First Coventry in return for all the issued and outstanding shares of First Coventry. This made First Coventry a wholly-owned subsidiary of the Company. On June 1, 2005, First Coventry entered into an indemnification agreement with Frederic P. Zotos, the Company's Chief Executive Officer and Director, to indemnify Mr. Zotos against personal liability in connection with the advancing of expenses to First Coventry and/or any liability Mr. Zotos may have as a result of being the sole Director, President, Chief Executive Officer, Secretary and Treasurer of First Coventry.

On May 25, 2005, William K. Mackey and William L. Sklar, a Director of the Company, entered into a note and security agreement with the Company. Under the note and security agreement, Mr. Mackey and Mr. Sklar loaned the Company $20,000. Mr. Mackey and Mr. Sklar immediately paid to Alpha the $20,000 upon signing the note and security agreement in connection with the exclusive license agreement, discussed above. Until the date due, the amount outstanding bears interest calculated at the rate of 8% per year. The note was secured by 3,000 shares of First Coventry Corporation, the Company's wholly-owned Delaware subsidiary. The $20,000 note was originally due within ninety (90) days of the date of the note and security agreement was entered into, or August 23, 2005; however on August 1, 2005, the Company entered into an amended agreement with Mr. Sklar and Mr. Mackey, whereby the due date of the note was extended to one hundred and five (105) days from the date the note and security agreement was entered into, or September 7, 2005; and on August 19, 2005, the Company entered into another amended agreement with Mr. Sklar and Mr. Mackey, whereby they agreed to extend the due date of the note for one hundred and twenty days from the date of the note and security agreement, or September 22, 2005; and on September 21, 2005, the Company entered into another amended agreement with Mr. Sklar and Mr. Mackey, whereby they agreed to extend the due date of the note for one hundred and thirty-five days from the date of the note and security agreement, or October 7, 2005; and on November 8, 2005, the Company entered into another amended agreement with Mr. Sklar and Mr. Mackey, whereby they agreed to extend the due date of the note for one hundred and eighty-four days from the date of the note and security agreement, or November 25, 2005. The Company has not paid Mr. Sklar and Mr. Mackey any monies under the note and security agreement, and is currently in default thereon. We plan to cure this default by paying Mr. Sklar and Mr. Mackey the $20,000 principal and 8% interest through debt and/or equity financing in connection with the Merger.

On March 20, 2006, the Company and First Coventry mutually revoked (retroactively effective as of June 1, 2005) the assignment agreement with First Coventry previously entered into on May 25, 2005, to assign the license agreement which the Company received previously from Alpha to First Coventry in return for all the issued and outstanding shares of First Coventry. In consideration for all the issued and outstanding shares of First Coventry, the Company agreed to instruct its transfer agent on June 1, 2006, to issue First Coventry $20,000 worth of its common stock, the value of which is attributed by the parties to be $0.029 per share on June 1, 2005, for a total of 689,655 shares of the Company's common stock, together with an appropriate instruction and opinion of counsel directing the delivery of these shares of common stock without any restrictive legends pursuant to Rule 144 under the 1933 Act. In further consideration, First Coventry allowed the Company to grant of a security interest in the Shares in accordance with the terms of the Note and Security Agreement, and allow their unrestricted assignment or transfer in the event of the Company's default thereon.

Additionally, on May 25, 2005, the Company entered into a consultancy agreement with Jodi A. Nelson ("Nelson"). The consultancy agreement calls for Nelson to provide consulting services to the Company in connection with the therapeutic use and formulation of Chloroquine and its derivatives or analogs. The Company agreed to pay Nelson $3,000 per month, for Nelson's first forty (40) hours of work per month and $75 per hour thereafter and reimburse Nelson for pre-approved business expenses in current in connection with the consulting services rendered to the Company. The Company paid Nelson the first month's retainer of $3,000 upon execution of the consultancy agreement, and is deferred and accrued subsequent payments in accordance with the consultancy agreement until the Company's stock registration statement was declared effective by the SEC on October 6, 2005. The consultancy agreement included a confidentiality provision, whereby Nelson agreed not to disclose the Company's confidential information other than in connection with the consulting services. The consultancy agreement is for a period of one (1) year from the date of the agreement and is renewable upon written agreement of the parties. The consultancy agreement may be terminated by either party at any time upon one (1) month prior written notice. The Company paid Nelson $15,000 in 2005 in connection with the consulting agreement, and currently owes Nelson $18,000 in unpaid consulting fees. We plan to pay these consulting fees through debt and/or equity financing in connection with the Merger.

The Company obtained the worldwide exclusive rights to the following patent and patent applications in connection with Chloroquine Diphosphate, pursuant to the licensing agreement entered into between the Company, Alpha and Nelson:

- US Patent No. 6,417,177; Issue Date: 7/0/2002; Filing Date: 7/13/2000; entitled "Chloroquine Derivatives for the Treatment of Parkinson's Disease."

- US 60/175,051; Filing Date 1/7/2000; entitled “Chloroquine and Related Compounds Treatment and Prevention of Parkinson’s Disease.”
- AU 73865/00; Filing Date 7/13/2000; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”

- CA 2,416,233; Filing Date 7/13/2000; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- EP 961993.3; Filing Date 7/13/2000; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- JP 2001-508933; Filing Date 7/13/2000; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- WO 00/40385; Filing Date 7/13/2000; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- US 10/192,414; Filing Date 7/9/2002; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- US 10/616,692; Filing Date 7/9/2003; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- WO 03/21463; Filing Date 7/9/2003; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- US 60/479,748; Filing Date 6/19/2003; entitled “Compositions and Methods for the Treatment of Parkinson’s Disease.”
- US 60/202,140; Filing Date 5/5/2000; entitled “Pharmaceutical Uses of Neuromelanin-Binding Compounds.”
- US 60/143,767; Filing Date 7/13/1999; entitled “The Administration of Chloroquine and/or Related Compounds.”

Additionally, the Company plans to support ongoing clinical studies of Chloroquine Diphosphate, if the Company can raise additional financing.

Confidentiality Agreements

The Company has each company and consultant with whom the Company consults in connection with N-chlorotaurine and Chloroquine Diphosphate sign a Confidentiality Agreement (“Confidentiality Agreement”). Each Confidentiality Agreement calls for the party receiving the confidential information to refrain from disclosing the Company’s confidential information to anyone and to take all steps necessary to prevent the disclosure of the Company’s confidential information. Each Confidentiality Agreement is valid for the term of Five (5) years from the date entered into.

Need for Government Approval

The Company or its future licensee will need to obtain U.S. Food and Drug Administration (“FDA”), regulatory approval before it is able to market N-chlorotaurine or Chloroquine Diphosphate commercially in the US.

The Steps a company must normally take to obtain FDA approval to sell the drug commercially include:

1. Pre-clinical (animal) testing.

2. An investigational new drug application (“IND”), which outlines what the sponsor of a new drug proposes for human testing in clinical trials.

3. Phase I studies typically involve 20 to 80 people and deal with the initial introduction of an investigational new drug into humans. These studies are closely monitored and may be conducted in patients, but are usually conducted in healthy volunteer subjects. These studies are designed to determine the metabolic and pharmacologic actions of the drug in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on drug effectiveness. During Phase I, sufficient information about the drug's pharmacokinetics and pharmacological effects should be obtained by the sponsor to permit the design of well-controlled, scientifically valid, Phase II studies. Phase I studies also evaluate drug metabolism, structure-activity relationships, and find out how the drug works in humans. These studies also determine which investigational drugs are used as research tools to explore biological phenomena or disease processes. The total number of subjects included in Phase I studies varies with the drug, but is generally in the range of twenty to eighty.

4. Phase II studies typically involve from a few dozen to 300 people, and include the early controlled clinical studies conducted to obtain some preliminary data on the effectiveness of the new drug for a particular indication or indications in patients with the disease or condition. This phase of testing also helps determine the common short-term side effects and risks associated with the drug. Phase II studies are typically well-controlled and closely monitored.

5. Phase III studies typically involve a few hundred to about 3,000 people. Phase III studies are expanded controlled and uncontrolled trials. They are performed after preliminary evidence suggesting effectiveness of the drug has been obtained in Phase II, and are intended to gather the additional information about effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of the drug. Phase III studies also provide an adequate basis for extrapolating the results to the general population and transmitting that information in the physician labeling. Phase III studies usually include several hundred to several thousand people.

6. The pre-NDA period, just before a new drug application ("NDA") is submitted.

A common time for the FDA and drug sponsors to meet.

7. Submission of a new drug application is the formal step asking the FDA to consider a drug for marketing approval. Following the completion of all three phases of clinical trials, the sponsor analyzes all of the data and files an NDA with FDA if the data successfully demonstrate the safety and effectiveness of the drug. The NDA must contain all of the scientific information that the sponsor has gathered. NDAs are typically 100,000 pages or more. By law, the FDA is allowed six months to review an NDA, however in almost all cases, the period between the first submission of an NDA and final FDA approval exceeds that limit.

8. After an NDA is received, the FDA has 60 days to decide whether to file it so it can be reviewed.

9. If the FDA files the NDA, an FDA review team is assigned to evaluate the sponsor's research on the drug's safety and effectiveness.

10. The FDA reviews information that goes on a drug's professional labeling, guidance on how to use the drug.

11. The FDA inspects the facilities where the drug will be manufactured as part of the approval process.

12. FDA reviewers will approve the drug or find it either "approvable" or "not approvable."

13. Assuming the FDA approves the NDA, the new drug becomes available for physicians to prescribe. The sponsor must then continue to submit periodic reports to the FDA, including any cases of adverse reactions and appropriate quality-control records. For some medicines, the FDA requires additional studies, Phase IV studies, which evaluate the long-term effects of a drug.

FORWARD-LOOKING STATEMENTS

The statements contained in this annual report on Form 10-KSB that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the expectations, beliefs, intentions or strategies regarding the future. We intend that all forward-looking statements be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

In particular, the "Risk Factors" section and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in Item 6 of this annual report include 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 this annual report, and should not unduly rely on these forward looking statements.

RISK FACTORS

Our securities are highly speculative and should only be purchased by persons who can afford to lose their entire investment in Pathogenics, Inc. You should carefully consider the following risk factors and other information in this annual report before deciding to become a holder of our Common Stock. If any of the following risks actually occur, our business and financial results could be negatively affected to a significant extent. The Company's business is subject to many risk factors, including the following (references to "our," "we," and words of similar meaning in these Risk Factors refer to the Company). The Financial Information presented throughout this annual report is taken from the Company's audited financial statements, provided under the heading "Financial Statements," unless otherwise stated.

Risks Related to Our Financial Condition

We May Not be Able to Continue Our Business Operations Unless We Raise Additional Financing.

We are a development stage company and as such has generated limited revenues and no profits to date. We depend to a great degree on the ability to attract external financing in order to develop the Company's patent rights in connection with N-Chlorotaurine and to develop therapeutic uses for Chloroquine Diphosphate. We anticipate the need for approximately $2,400,000 in additional financing to perform research and development on N-chlorotaurine and Chloroquine Diphosphate and obtain FDA approval of an IND for each drug. We had $302,847 of liabilities and a total shareholders deficit of $302,563 as of December 31, 2005. Currently, the Company believes it will have enough money to continue its business operations until the end of the fourth quarter of 2006, assuming Egenix provides funding as it is required to pursuant to the Agreement and Plan of Merger. However, there is a risk that the Merger will not be consummated and/or that we will not be able to meet our current and future liabilities and remain in operation until we are able to receive additional money in connection with the Merger. Additionally, there is a risk that the money we receive as a result of the Merger will not be enough to pay the Company's future obligations. Finally, there is a risk that Egenix does not provide funds in accordance with the Agreement and Plan of Merger, even though it is obligated to. If this were to happen, the Company would have a breach of contract claim against Egenix, which the Company would likely litigate. If any of these things were to happen, it could force the Company to suspend or abandon its business operations while the Company is in litigation, suspend or abandon the development of N-chlorotaurine and/or suspend or abandon the Company's business plan, which could lead to any investment in the Company being lost.

We May Not Be Able to Meet Our Current and Future Liabilities and Remain in Operation Until We Receive The Money In Connection With the Merger.

The Company had $284 of cash on hand at December 31, 2005, and required $118,085 for current liabilities. The Company had negative working capital of $302,563 at December 31, 2005. The Company believes it will be able to remain in operation until the end of the fourth quarter of 2006, assuming the receipt of funds from Egenix as part of the Agreement and Plan of Merger, as the Company believes it is currently successful in keeping its expenses low while still in the development stage of its technologies. If the Company is delayed in raising that money, as a result of the Company not consummating the Merger, or for any other reason, the Company could be forced to abandon or curtail its planned research and development activities, and/or abandon or curtail its operations, and any investment in the Company could be lost.

Our Independent Public Accounting Firm Has Expressed Substantial Doubt As To Whether Our Company Can Continue As A Going Concern.

Our Company is in its early development stage, as planned principal activities have not begun. We have generated little revenues since the Company's change in business focus to a biopharmaceutical company focused on high value-added pharmaceutical clinical development and have incurred substantial losses. These factors indicate that the Company may be unable to continue as a going concern, particularly in the event that it cannot generate sufficient cash flow to conduct its operations and/or obtain additional sources of capital and financing. Currently,

the Company's management believes that it will be able to continue as a going concern, due to the fact that Egenix is required to provide funding pursuant to the Agreement and Plan of Merger, and because the Company is not required pay the N-chlorotaurine or Chloroquine Diphosphate researchers any royalties until the Company is able to commercially market any products based on N-chlorotaurine or Chloroquine Diphosphate. However, if the Company is not able to continue as a going concern, any investment in the Company could become worthless.

We Lack an Operating History Which You Can Use to Evaluate Us, Making Any Investment in Our Company Risky.

Our Company lacks an operating history which investors can use to evaluate our Company's previous earnings. This makes it harder for you as an investor to predict how our Company may do in the future. Therefore, an investment in our Company is risky because we have no business history and it is hard to predict what kind of return our stock will have in the future, if at all.

We Have a Poor Financial Position and If We Do Not Generate Revenues, We May Be Forced to Abandon Our Business Plan.

Our Company currently has a poor financial position. We have not generated any revenues nor have we obtained any of the government approval we will require for N-Chlorotaurine or Chloroquine. There is a possibility we will never obtain government approval from the U.S. Food and Drug Administration ("FDA") and the European Medicines Agency ("EMEA") and we will therefore not generate enough profits for your investment in our Company to appreciate. If we never generate any revenues, our Company may be forced to abandon its business plan and any investment in the Company could become worthless.

Our Industry Is Competitive and As Such Competitive Pressures Could Prevent Us From Obtaining Profits, Forcing Us to Abandon or Curtail Our Business Plan and Possibly Liquidate Our Assets.

One of the main factors in determining in whether the Company will be able to realize any profits and/or be able to continue its business plan will be whether or not the Company is able to successfully compete in the biopharmaceutical industry. The biopharmaceutical industry is highly competitive and the Company may be competing against companies with greater resources and more experience in the biopharmaceutical industry. If the Company is unable to compete in the marketplace and fails to generate any profits, the Company may be forced to liquidate its assets and any investment in our Company could be lost.

Risks Related to Our Operations

To Develop N-chlorotaurine and Chloroquine Diphosphate and/or Other Technologies We May In-License In The Future, or We May Need To Enter Into Collaborative Agreements with Other Companies Which May Limit Our Control of Our Technologies, Which Would Decrease Any Potential Fees We Ultimately Receive in Connection with N-chlorotaurine and/or Chloroquine Diphosphate.

We do not have the resources to directly conduct full clinical development, obtain regulatory approvals, or manufacture or commercialize any products, and we have no current plans to acquire such resources. Therefore, we depend upon others to carry out such activities. As a result, we anticipate that we may enter into collaborative agreements with third parties able to contribute to developing our technologies. Such agreements may limit our control over any or all aspects of development of N-chlorotaurine, Chloroquine Diphosphate and/or other technologies.

To be profitable, we must successfully commercialize our technologies. They are however in the early stages of development and will require significant further research, development and testing, and are subject to the risks of failure inherent in the development of products based on innovative or novel technologies. They are also rigorously regulated by the federal government, particularly the U.S. Food and Drug Administration (the "FDA") and by comparable agencies in state and local jurisdictions and in foreign countries. Each of the following is possible with respect to any one of our products:

- that, in the case of N-chlorotaurine and Chloroquine Diphosphate and other pharmaceutical technologies we may choose to develop, we will not be able to enter into human clinical trials because of scientific, governmental or financial reasons, or that we will encounter problems in clinical trials that will cause us to delay or suspend development of one of the technologies;
- that any of our products will be found to be ineffective or unsafe;
- that government regulation will delay or prevent any product's marketing for a considerable period of time and impose costly procedures upon our activities;
- that the FDA or other regulatory agencies will not approve a given product or will not do so on a timely basis;
- that the FDA or other regulatory agencies may not approve the process or facilities by which a given product is manufactured;
- that our dependence on others to manufacture our products may adversely affect our ability to develop and deliver the products on a timely and competitive basis;
- that, if we are required to manufacture our own products, of which we have no current plans, we will be subject to similar risks regarding delays or difficulties encountered in manufacturing the products, will require substantial additional capital, and may be unable to manufacture the products successfully or in a cost-effective manner;
- that the FDA's policies may change and additional government regulations and policies may be instituted, both of which could prevent or delay regulatory approval of our potential products; or
- that we will be unable to obtain, or will be delayed in obtaining, approval of a product in other countries, because the approval process varies from country to country and the time needed to secure approval may be longer or shorter than that required for FDA approval.

Similarly, it is possible that, for the following reasons, we may be unable to commercialize, or receive royalties from the sale of, any given technology, even if it is shown to be effective:

- if it is uneconomical;
- if, in the case of N-chlorotaurine and Chloroquine Diphosphate or other pharmaceutical technologies we may attempt to develop in the future, it is not eligible for third-party reimbursement from government or private insurers;
- if others hold proprietary rights that preclude us from commercializing it;
- if others have brought to market equivalent or superior products;
- if others have superior resources to market similar products or technologies;
- if government regulation imposes limitations on the indicated uses of a product, or later discovery of previously unknown problems with a product results in added restrictions on the product or results in the product being withdrawn from the market; or

- if we are able to gain patent rights on our products and technologies, we may lose these rights for failure to pay maintenance fees;

- if it has undesirable or unintended side effects that prevent or limit its commercial use.

We Will Need Government Approval Before We Will Be Able to Market N-Chlorotaurine, Chloroquine or Other Technologies the Company May Choose to Develop In the Future, and If We Are Unable to Obtain Government Approval, We May Be Forced To Abandon N-chlorotaurine as a Commercial Product, Which May Force the Company to Cease Business Operations.

The Company will need to have U.S. Food and Drug Administration ("FDA"), European Medicines Agency ("EMEA") approval, and/or may need other state and national regulatory approval before it is able to market N-Chlorotaurine and/or Chloroquine Diphosphate commercially, assuming that the Company is able to commercially produce N-chlorotaurine and/or Chloroquine Diphosphate. The Company may be unable to obtain the approval of the FDA, EMEA and state and national regulatory approval because those entities may feel that N-chlorotaurine and/or Chloroquine Diphosphate are not safe, have side effects, or in the case of N-chlorotaurine has limited or no anti-microbial properties. If the Company is unable to obtain Regulatory Approval for N-chlorotaurine and/or Chloroquine Diphosphate, or runs out of money before the Company can obtain Regulatory Approval for N-chlorotaurine and/or Chloroquine Diphosphate, the Company will be unable to commercially market N-chlorotaurine and/or Chloroquine Diphosphate and the Company will likely fail. As a result, you will likely lose any investment in the Company could become worthless.

We May Be Unable To Successfully Compete Against Companies with Resources Greater Than Ours, If We Are Unable To Protect Our Patent Rights And Trade Secrets, Or If We Infringe On The Proprietary Rights Of Third Parties.

Additionally, the Company will need to obtain patents on its technology to protect its rights to that technology. To obtain a patent on an invention, one must be the first to invent it or the first to file a patent application for it. We cannot be sure that the inventors of subject matter covered by patents and patent applications that we own or license were the first to invent, or the first to file patent applications for, those inventions. Furthermore, patents we own or license may be challenged, infringed upon, invalidated, found to be unenforceable, or circumvented by others, and our rights under any issued patents may not provide sufficient protection against competing drugs or otherwise cover commercially valuable drugs or processes.

We seek to protect trade secrets and other un-patented proprietary information, in part by means of confidentiality agreements with our collaborators, employees, and consultants. If any of these agreements is breached, we may be without adequate remedies. Also, our trade secrets may become known or be independently developed by competitors.

N-chlorotaurine May Not Be Effective As An Anti-Infective, May Cause Side Effects, Be Too Expensive To Produce, Have Other Complications Which Render It Unprofitable Or Useless As An Anti-Infective Or The Company May Be Unable To Find A Corporate Partner To Market N-chlorotaurine, Which Could Force the Company to Seek Other Business Opportunities and/or Cease Operations.

While the Company has conducted small-scale clinical studies (to assess safety and efficacy in humans) N-chlorotaurine has yet to be found to be effective as an anti-infective by any regulatory authority or not to cause side effects which would make it unsafe to produce by any regulatory authority, not to be too expensive to produce in commercial quantities, and/or not to have any other complications which render N-chlorotaurine unprofitable for the Company to produce. Additionally, even if the Company does choose to market N-chlorotaurine, the Company may not be able to find a corporate partner to partner with and be unable to produce commercial quantities of N-chlorotaurine and/or bring N-chlorotaurine to market. If N-chlorotaurine were found to have any of the qualities listed above, the Company will be forced to abandon its business plan and will be forced to abandon or curtail its business plan. As a result, any investment in the Company could become worthless.

Chloroquine Diphosphate May Not Be Effective As A Treatment for Parkinson's Disease, May Cause Side Effects, Be Too Expensive To Produce, Have Other Complications Which Render It Unprofitable Or The Company May Be Unable To Find A Corporate Partner To Market Chloroquine Diphosphate, Which Could Force the Company to Seek Other Business Opportunities and/or Cease Operations.

Chloroquine Diphosphate has yet to be found to be effective as a treatment for Parkinson's Disease by any government regulatory body, nor has it been sufficiently tested to determine whether it causes any side effects which would make it unsafe to produce, not to be too expensive to produce in commercial quantities, and/or not to have any other complications which may render Chloroquine Diphosphate unprofitable for the Company to produce. Additionally, even if the Company does choose to market Chloroquine Diphosphate, the Company may not be able to find a corporate partner to partner with and be unable to produce commercial quantities of Chloroquine Diphosphate and/or bring Chloroquine Diphosphate to market. If Chloroquine Diphosphate were found to have any of the qualities listed above, the Company will be forced to abandon its business plan and will be forced to abandon or curtail its business plan. As a result, any investment in the Company could become worthless.

The Austrian Researchers May Not Permit Us To Use the Research and Development Studies They Have Conducted on N-chlorotaurine In Support of Our Investigational New Drug Application.

The Company believes that most, if not all of the pre-clinical studies conducted by the researchers should be admissible to the FDA to support the filing of the Company's IND application on N-chlorotaurine. However, the Austrian researchers are under no obligation to allow the Company to use their pre-existing research in support of its investigational new drug application. If the Austrian researchers do not permit us to use their pre-existing research in support of our IND application, we will be forced to duplicate their studies and results at a substantial additional expense, which funds we do not currently have. Additionally, if it becomes necessary to duplicate the Austrian researcher's studies, it will cause us substantial additional delays in the process of obtaining FDA approval for N-chlorotaurine. If we are unable to raise the additional funds needed to duplicate the Austrian researcher's studies and results on N-chlorotaurine, we could be forced to abandon our plans to obtain FDA approval for N-chlorotaurine and/or scale back or abandon our business plan, which could cause any investment in the Company to become worthless.

We May Not Successfully Resolve Our Current Dispute With Alpha Research Group, LLC and Jodi A. Nelson Over Their Claimed Termination of the License Agreement for Chloroquine Diphosphate, Or May Not Prevail To Have the Termination Declared Ineffective in an Arbitration Hearing, Which Would Force the Company To Abandon Chloroquine as a Commercial Product, Which Could Force the Company to Seek Other Business Opportunities and/or Cease Operations.

The Company believes in good faith that the notice of termination of the license agreement executed on May 25, 2005, between Alpha, Nelson and the Company is entirely ineffective, that the license agreement has not been terminated and remains in full-force and effect, and that the Alpha's and Nelson's claims in support of termination are entirely without merit. The Company has elected to seek relief through application of the formal dispute resolution process in accordance with the clear provisions of license agreement, and intends to vigorously defend its position. However, if the Company is unable to successfully resolve this current dispute directly with Alpha and Nelson, the dispute would first be referred to mediation, and if the parties still have not reached a settlement, then to arbitration. The arbitrators have the authority to grant specific performance. If the Company loses the arbitration and the termination of the license agreement for Chloroquine is declared effective, we would be forced to abandon our plans to commercialize Chloroquine and/or scale back or abandon our business plan, which could force the Company to seek other business opportunities and/or cease operation. As a result, any investment in the Company could become worthless.

We Rely Upon Key Personnel and If They Leave Our Company Our Business Plan and Our Business Operations Could Be Adversely Effected.

We rely on Frederic P. Zotos, the Company's Chief Executive Officer and Director and Michael L. Ferrari, the Company's Vice President and Director for the success of our Company. Their experience and inputs create the foundation for our business and they are responsible for the directorship and control over the Company's development activities. Mr. Zotos entered into an employment contract with the Company on March 15, 2005. Mr. Ferrari entered into a consulting contract with the Company on January 1, 2006. The Company does not hold "key man" insurance on either Mr. Zotos or Mr. Ferrari. Moving forward, should they be lost for any reason, the Company will incur costs associated with recruiting replacement personnel and could face potential delays in operations. If we are unable to replace them with other suitably trained individuals, the Company may be forced to scale back or curtail our business plan. As a result of this, your securities in our Company could become devalued.

Risks Related to Our Securities

We Lack a Market For Our Common Stock, Which Makes an Investment in Our Securities Speculative.

We currently lack a market for the Company's Common Stock. Because of this, it is hard to determine exactly how much our securities are worth. This makes an investment in our Company very speculative. As a result of the lack of market, it is hard to judge how much the securities you may purchase are worth and it is possible that they could become worthless.

Investors May Face Significant Restrictions on the Resale of Our Common Stock Due to Federal Regulations of Penny Stocks.

If the Company's Common Stock is listed on the OTC Bulletin Board, it will be subject to the requirements of Rule 15(g)9, promulgated under the Securities Exchange Act as long as the price of our Common Stock is below $5.00 per share. Under such rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990, also requires additional disclosure in connection with any trades involving a stock defined as a penny stock. Generally, the Commission defines a penny stock as any equity security not traded on an exchange or quoted on NASDAQ that has a market price of less than $5.00 per share. The required penny stock disclosures include the delivery, prior to any transaction, of a disclosure schedule explaining the penny stock market and the risks associated with it. Such requirements could severely limit the market liquidity of the securities and the ability of purchasers to sell their securities in the secondary market.

ITEM 2. DESCRIPTION OF PROPERTY

The Company entered into a lease for office space on March 1, 2005, with SFKM&B d/b/a Stratis Business Centers ("Stratis"), which operates a suite of offices with support services located at 99 Derby Street, Hingham, MA 02043. Under the office service agreement, the Company is given the use of a conference room and visitors office facilities. Under the terms of the lease, the Company agreed to pay Stratis $275.00 per month.

We believe that our existing facilities are adequate to meet our current requirements. We do not own any real property.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business.

On April 18, 2006, the Company received a notice of dispute of the consultancy agreement executed on May 25, 2005, between Jodi A. Nelson and the Company. The Company currently owes Nelson $18,000 in unpaid consulting fees. We plan to pay these consulting fees through debt and/or equity financing in connection with the Merger.

On May 9, 2006, the Company received a notice of termination of the license agreement executed on May 25, 2005, between Alpha, Nelson and the Company. The Company believes in good faith that the notice of termination is entirely ineffective, that the license agreement has not been terminated and remains in full-force and effect, and that the Alpha's and Nelson's claims in support of termination are entirely without merit. The Company has elected to seek relief through application of the formal dispute resolution process in accordance with the clear provisions of license agreement, and intends to vigorously defend its position.

We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

No established public trading market exists for the Company's Common Stock. We have - 0 - shares of Common Stock subject to outstanding options or warrants to purchase the Company's Common Stock. We currently have - 0 - shares of Convertible Preferred Stock outstanding. As of December 31, 2005, there were 47,748,650 shares of Common Stock outstanding, held by 40 shareholders of record.

DIVIDEND POLICY

To date, we have not declared or paid any dividends on our outstanding Common Stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our Common Stock. Although we intend to retain our earnings to finance our operations and future growth, our Board of Directors will have discretion to declare and pay dividends in the future. Payment of dividends in the future will depend upon our earnings, capital requirements and other factors, which our Board of Directors may deem relevant.

We are required, in connection with our outstanding Convertible Preferred Stock, to pay the holders of our Convertible Preferred Stock quarterly dividends at 2.5% above the prime rate published by Citibank, N.A. (as of September 28, 2005, the prime rate was 6.75%) ("Dividends"). The Dividends are payable on the last day of April, July, October and January, in cash or additional shares of the Company's Convertible Preferred Stock. To date, we have $4,521 of declared and unpaid Dividends on our Convertible Preferred Stock. Unpaid dividends accrue interest at a per annum rate equal to the lower of eighteen percent (18%) and the highest interest rate permitted by applicable law.

RECENT SALES OF UNREGISTERED SECUCRITIES

Issuance to Members of Tyrol Therapeutics, LLC

On February 10, 2005, the Company entered into an Agreement and Plan of Reorganization with Tyrol Therapeutics, LLC, formerly Pathogenics, LLC, a Delaware limited liability company and the members of Tyrol, whereby each member of Tyrol exchanged all of their interest in Tyrol for shares of the Company's Common Stock. Frederic P. Zotos, the Company's current Chief Executive Officer and a former Tyrol member exchanged his 48.9% interest in Tyrol for 20,000,000 shares of the Company's Common Stock, Michael L. Ferrari, the Company's current Vice President and Director exchanged his 48.9% interest in Tyrol for 20,000,000 shares of the Company's Common Stock and William K. Mackey exchanged his 2.2% interest in Tyrol for 900,000 shares of the Company's Common Stock. Issuance of these shares did not involve any public offering, and was made in reliance upon the exemption from registration provided by section 3(b) of the 1933 Act and the provisions of Regulation D Rule 504 promulgated under the 1933 Act ("Regulation D").

Securities Purchase Agreement

On February 18, 2005, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement) with five (5) entities, Manillo Investors Limited, Bayside Associates Limited, Castlegate Group Limited, Kensington Group Limited and Trufello Associates Limited (collectively the "Purchasers").

In connection with the Securities Purchase Agreement, the Purchasers agreed to purchase two hundred and seventy five thousand dollars ($275,000) of Convertible Preferred Stock of the Company, which was convertible into shares of the Company's Common Stock at a per share conversion price of $0.029 per share. The Purchasers were to purchase the Convertible Preferred Stock of the Company in four (4) tranches, the first of which was February 23, 2005, at which time the Company received an aggregate of $45,000 from the Purchasers in return for 1,637 shares of the Company's Convertible Preferred Stock ("First Tranche"), the second of which was March 31, 2005, at which time the Company received an aggregate of $50,000 from the Purchasers in return for 1,818 shares of the Company's Convertible Preferred Stock

("Second Tranche"), the third of which was supposed to be received five (5) business days from the date the Company's Registration Statement was declared effective with the Securities and Exchange Commission on October 6, 2005, at which time the Company was supposed to receive an aggregate of $60,000 from the Purchasers in return for 2,182 shares of the Company's Convertible Preferred Stock ("Third Tranche"), and the fourth and final tranche which was supposed to be received the thirtieth (30) business day after the Company's Registration Statement became effective with the Securities and Exchange Commission, at which time the Company was supposed to receive an aggregate of $120,000 from the Purchasers in return for 4,363 shares of the Company's Convertible Preferred Stock ("Fourth Tranche") (collectively the "Tranches"). The Company received the Third Tranche late from the Purchasers in two equal partial payments of $30,000 each on October 25, 2005 and November 9, 2005, and never received the Fourth Tranche from the Purchasers. Issuance of these shares did not involve any public offering, and was made pursuant to the exemption from the registration provisions of the 1933 Act afforded by Section 4(2), or Section 4(6) and Regulation S of the 1933 Act and Rule 506 of Regulation D promulgated thereunder.

The Securities Purchase Agreement contains penalties which the Company was required to pay to the Purchasers, since the Company did not obtain effectiveness of its Registration Statement within the time periods provided in the Securities Purchase Agreement (a "Non Registration Event"). Pursuant to the Securities Purchase Agreement, if (i) the Registration Statement is not declared effective on or before one hundred twenty (120) days from the date of the Securities Purchase Agreement, or (ii) this Registration Statement is filed and declared effective with the SEC, but shall thereafter cease to be effective, then the Company shall deliver to the Purchasers, as liquidated damages, an amount equal to one and one-half percent (1.5%) of the outstanding amount of the Convertible Preferred Stock for each thirty (30) days or part thereof during the initial sixty (60) days of the such Non-Registration Event and two percent (2%) for each thirty (30) days or part thereof, thereafter. As of the date the Company's Registration Statement was declared effective with the Securities and Exchange Commission on October 6, 2005 the aggregate amount of purchased Preferred Stock was $95,000, thereby resulting in penalties of 1.5% ($1,425 or 49,138 shares of common stock) due after the expiration of the first two thirty day periods following the June 18, 2005 deadline, and 2% ($1,900 or 65,517 shares of common stock) at the expiration of each thirty day period thereafter, resulting in total penalties owed of approximately $6,650 or 229,310 shares of Common Stock as of the date the Company's Registration Statement was declared effective with the Securities and Exchange Commission on October 6, 2005. Accordingly, on January 23, 2006 the Company issued 45,862 shares of common stock to each of the five Purchasers for a total authorized issuance of 229,310 unrestricted shares of common stock, thus paying in full all liquidated damages due to the Purchasers. Issuance of these shares did not involve any public offering, and was made pursuant to the exemption from the registration provisions of the 1933 Act afforded by Section 4(2), or Section 4(6) and Regulation S of the 1933 Act and Rule 506 of Regulation D promulgated thereunder.

On May 3, 2006, the board of directors of the Company passed by majority vote a resolution terminating the Securities Purchase Agreement entered into on February 18, 2005 between the Company and the Purchasers. The Company terminated the Securities Purchase Agreement for the Purchasers' material breach thereof due to the following material defaults: (1) the Purchasers' failure to pay the Company a Fourth Tranche of one-hundred and twenty-thousand dollars ($120,000) on November 17th, 2005 - the thirtieth (30th) business day after the actual effective date of the Company's registration statement on October 6, 2005; (2) the Purchasers' failure to comply with the November 18th, 2005 request of the Company's NASD market maker, to execute an escrow agreement and place sixty-five percent (65%) of their free trading shares into an escrow account with the market maker's clearing firm for a period of twelve months, thereby preventing the Company from effecting a listing on the OTC Bulletin Board; (3) the Purchasers' subsequent refusal to cure their failure to pay the Fourth Tranche despite the Company's numerous requests; and, (4) the Purchasers' notification to the Escrow Agent on February 10, 2006 that they would not purchase the Fourth Tranche securities allegedly because the representations and warranties of the Company contained in the Agreement were not true and correct as of that date, and therefore the Purchasers instructed the Escrow Agent to return the Fourth Tranche funds previously deposited with him. On February 16, 2006, the Company subsequently cancelled the Fourth Tranche securities previously issued to the Purchasers for lack of payment. The Company believes that the Purchasers' allegation is without merit that the representations and warranties of the Company contained in the Agreement were not true and correct as of February 10, 2006, and that the Purchasers were obligated to purchase the Fourth Tranche securities under the Agreement. The Company believes it may have a breach of contract claim against the Purchasers, which it may eventually litigate.

Issuance to Shareholders of Vulcan Corporation

Pursuant to the Reorganization Agreement, the Company agreed to distribute the 503,830 shares of the Company's Common Stock, which were held by Vulcan Corporation to the shareholders of Vulcan Corporation, on a one for one basis, with each shareholder of Vulcan Corporation common stock as of the record date of March 9, 2005, receiving one share of the Company's Common Stock for each share of Vulcan which they held. Those shares were distributed on March 14, 2005. Issuance of these spin-off shares did not involve any public offering, and were distributed without registration under the Securities Act of 1933 in reliance on Staff Legal Bulletin No. 4 published by the Securities and Exchange Commission Division of Corporation Finance on September 16, 1997.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company was incorporated in Delaware on December 16, 1997, and had no business operations until the date of the Reorganization (defined below). We are a biopharmaceutical company engaged in the acquisition, development and commercialization of novel therapeutics that have potential significant commercial viability and that target certain unmet market needs. We currently own the rights to N-chlorotaurine, a novel anti-microbial agent we believe may be useful in the treatment of a variety of diseases, and Chloroquine Diphosphate based formulations we believe may be useful in the treatment of symptoms and arresting the progression of Parkinson's Disease. We have been unprofitable since inception and expect to incur substantial additional operating losses over the next several years. The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Form 10-KSB.

Combination with Tyrol

On February 10, 2005, the Company and Tyrol Therapeutics, LLC ("Tyrol") entered into an Agreement and Plan of Reorganization, in which Pathogenics acquired all assets of and assumed all of the liabilities of Tyrol for 40,900,000 shares of common stock of Pathogenics (the "Reorganization Agreement" and the "Reorganization"). As a result, after the closing of the Reorganization, the former members of Tyrol owned approximately 98.41% of the voting shares of Pathogenics. Due to the facts that the former members of Tyrol received the majority of the voting shares of Pathogenics, the then President of Tyrol became the President of the Company and representatives of Tyrol held two of the three seats on the Company's Board of Directors, the merger was accounted for as a recapitalization of Tyrol, whereby Tyrol was the accounting acquirer (legal acquiree) and Pathogenics was the accounting acquiree (legal acquirer).

Accordingly, at the closing, Pathogenics was a non-operating shell corporation unable to meet the definition of a business as defined in EITF Consensus 98-3. Therefore, the transaction was accounted for as a recapitalization of Tyrol. This transaction is equivalent to Tyrol issuing stock for the net liabilities of Pathogenics, accompanied by a recapitalization. The accounting is identical to that resulting from a reverse acquisition, except that there are no adjustments to the historic carrying values of the assets and liabilities.

Since our combination with Tyrol was accounted for as a recapitalization of Tyrol, our management's discussion and analysis is based upon the financial condition and results of operation of Tyrol for the years ended December 31, 2004 and 2003 and for the Period from November 19, 2002 (Inception of Tyrol) through December 31, 2005. Our management's discussion and analysis of financial condition and results of operations contain forward-looking statements, which involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in the section entitled "Risk Factors" of this Form 10-KSB.

2005 Versus 2004

Revenue

The Company had no revenues since inception.

Operating Expenses

During the year ended December 31, 2005, the Company's operating expenses increased by $392,837 or 2,303% to $409,896, compared to $17,059 for the year ended December 31, 2004. The increase was attributable to increases of $295,953 in general and administrative expenses and $96,884 in research and development expenses.

During the period from December 16, 1997 (Inception) to December 31, 2005 the Company incurred operating expenses of $452,450.

Net Loss

The Company incurred a net loss of $415,909 for the year ended December 31, 2005, an increase in net loss of $398,850 from net loss of $17,059 for the year ended December 31, 2004, which increase was primarily due to our increased operating expenses as described above.

Loss per share was $(0.01) for the year ended December 31, 2005 and $(0.00) for the year ended December, 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Company's only asset as of December 31, 2005, was cash of $284, compared to $76 at December 31, 2004.

We had total liabilities of $302,847 as of December 31, 2005, compared to $42,630 at December 31, 2004, an increase of $260,217, and consisting of $118,085 (FY 2004 $6,676) of accounts payable and accrued expenses and $184,762 (FY 2004 $35,954) of loans payable to related parties.

We had negative working capital of $302,563 as of December 31, 2005, compared to negative working capital of $42,478 at December 31, 2004.

Co-incident with the merger of Tyrol with Pathogenics, we sold shares to investors through a private placement offering which provided operating capital of approximately $155,000 to pay expenses incurred in the issuance of a Registration Statement and provide further support for general and administrative costs, and new product development.

We had a total accumulated deficit of $302,563 as of December 31, 2005 compared to $43,554 at December 31, 2004.

We had $153,575 used by operating activities for the year ended December 31, 2005, which included a net loss of $409,896, an increase in accounts payable and accrued expenses of $249,671, and stock payable of $6,650.

We had $153,783 in net cash provided by financing activities for the year ended December 31, 2005. This resulted from sale of common stock of $900 and proceeds from preferred stock of $155,000.

The Company is presently operating at a loss. The Company will need to raise additional capital, either debt or equity capital, to fund future operation and ultimately to attain profitable operation. On April 14, 2006, the Company received $50,000 in cash from Acuity

Pharmaceuticals, Inc. in connection with a license agreement for N-Chlorotaurine for ophthalmic indications. During June 2006, the Company received $53,480 is cash from Egenix, Inc. in connection with the Agreement and Plan of Merger.

The Company believes it can satisfy its cash requirements until the end of the fourth quarter of 2006, assuming the receipt of funds from Egenix as part of the Agreement and Plan of Merger, as the Company believes it is currently successful in keeping its expenses low while still in the development stage of its technologies. In connection with the Agreement and Plan of Merger with Egenix, management has received $53,480 of the proceeds of the Egenix Warrant Call in June 2006, and expects to receive $150,000 of the proceeds of the Bridge Financing to repay and retire certain of the Company's then outstanding current liabilities at the beginning of August 2006, and to receive $100,000 of the proceeds of the Bridge Financing per month commencing at the beginning of August 2006 until the Closing, intended to be no later than December 31, 2006.

If the Company does not have sufficient funds to continue its operations as planned, the Company plans to scale down its operations and/or accrue salaries and expenses until additional financing can be raised. However, there can be no assurance that any new capital will be available to the Company after the receipt of funds from Egenix, if at all, or that adequate funds for the Company's operations, whether from the Company's financial markets, or other arrangements will be available when needed or on terms satisfactory to the Company. The Company has no commitments from officers, directors or affiliates to provide funding. The failure of the Company to obtain adequate additional financing may require the Company to delay, curtail or scale back some or all of its operations. Any additional financing may involve dilution to the Company's then-existing shareholders.

The Company's independent accounting firm raised substantial doubt about Pathogenics' ability to continue as a going concern, and the financial statements as presented do not include any adjustments relating to the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Amounts Spent During Each of the Last Two Fiscal Years on Research and Development Activities

Research and Development over the past two (2) years, described above under "Clinical Development of N-chlorotaurine to Date," has been completed by the N-chlorotaurine inventors in Austria. The inventors themselves have primarily funded this work (performing medical research on promising compounds like N-chlorotaurine is part of the job responsibilities for the N-chlorotaurine inventors at the University on Innsbruck), with an additional 263,859 euro (approximately $326,130 as of August 16, 2005) of medical research grant assistance provided by the by the Austrian Science Foundation and the Jubilee Fund of the Austrian National bank from 1997 - 2004. Additionally, the Company has paid only a limited amount for the research and development of Chloroquine Diphosphate.

CRITICAL ACCOUNTING POLICIES

In December 2001, the SEC requested that all registrants discuss their most "critical accounting policies" in management's discussion and analysis of financial condition and results of operations. The SEC indicated that a "critical accounting policy" is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our significant accounting policies are described in Note 1 to our consolidated financial statements included in this annual report, however, we believe that none of them are considered to be critical.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured.

RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123 (R), “Accounting for Stock-Based Compensation” SFAS No. 123 (R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 (R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS No. 123 (R), only certain pro forma disclosures of fair value were required. SFAS No. 123 (R) shall be effective for Pathogenics as of January 1, 2006. The adoption of this new accounting pronouncement is not expected to have a material impact on the financial statements of Pathogenics during the calendar year 2006.

ITEM 7. CONSOLIDATED FINANCIAL STATEMENTS

For a list of the consolidated financial statements filed as part of this report, see the Index to Consolidated Financial Statements following the exhibits to this annual report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Evaluation of Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in the rules of the SEC. As of December 31, 2005, we carried out an evaluation, under the supervision and the participation of our management, including our President and Chief Executive Officer, of the design and operation of these disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our President and Chief Executive Officer concluded that our disclosure controls and procedures are effective in ensuring that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its President and Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure. Additionally, that evaluation showed that our controls and procedures are designed to ensure that information required to be disclosed by the us in our reports that we file with the Securities and Exchange Commission are recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that they are effective in accomplishing those goals.

Changes in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS

Frederic P. Zotos

Frederic P. Zotos, 40, has served as Chief Executive Officer, President, Secretary, Treasurer and Director of the Company since February 18, 2005. Mr. Zotos has served as managing member of the Company's wholly owned subsidiary Pathogenic, LLC, since its creation on November 19, 2002. Mr. Zotos served as Director of Atlantic Technology Ventures, Inc. ("Atlantic") from May 1999 to February 2003, President of Atlantic from April 2000 to February 2003, and Chief Executive Officer of Atlantic from February 2001 to February 2003. From June 1999 to March 2000, Mr. Zotos served as Director of due diligence for Licent Capital LLC. From November 1996 to August 1998, Mr. Zotos served as Assistant to the President and Patent Counsel for Competitive Technologies, Inc. From June 1994 to October 1996, Mr. Zotos served as an Associate Attorney at Law with the law firm of Pepe and Hazard in Connecticut. Mr. Zotos received a Bachelors degree in Mechanical Engineering from Northeastern University in 1988 and a Masters Degree in Business Administration and a Juris Doctorate from Northeastern University in 1993. Mr. Zotos is a current member of the Licensing Executive Society and the Boston Patent Law Association.

Michael Ferrari

Michael Ferrari, 30, has served as Vice President and Director of the Company since February 18, 2005. Since its creation on November 19, 2002, Mr. Ferrari has served as a member of the Company's wholly owned subsidiary Pathogenic, LLC. Since March 2004, Mr. Ferrari has been employed by Clinical Advisors, LLC, as head of operations, sales and project management. From August 2003 to February 2004, Mr. Ferrari served as a private equity associate with Maxim Group, LLC. From January 2001 to January 2003, Mr. Ferrari served as Vice President of Business Development for Atlantic Technology Ventures. From September 1998 to January 2001, Mr. Ferrari served as Manager of Business Development at Corporate Technology Development, Inc. From September 1997 to September 1998, Mr. Ferrari worked for Aetna U.S. Healthcare as an Account Executive. Mr. Ferrari received his Bachelors degree in Biology from Villanova University in 1997. Mr. Ferrari holds series 7 and 63 securities licenses. He has also been a member of the Licensing Executive Society since 1999.

Directors of the Company are elected annually and hold office until the annual meeting of the shareholders of the Company and until their successors are elected and qualified. Officers will hold their positions at the pleasure of the Board of Directors, absent any employment agreement. There are no family relationships among the Company's officers and directors. Officers and directors of the Company may receive compensation as determined by the Company from time to time by vote of the Board of Directors. Vacancies in the Board are filled by majority vote of the remaining directors. Such compensation might be in the form of stock options. Directors may be reimbursed by the Company for expenses incurred in attending meetings of the Board of Directors.

There are no family relationships among the executive officers or directors of the Company.

Recent Changes in Officers and Directors

On May 11, 2006, the holders of a majority of the shares of currently issued and outstanding common stock of the Company entitled to vote at an election of directors approved by written consent a resolution removing William L. Sklar as a director of the Corporation, in accordance with the applicable provisions of Sections 141 and 228 of the General Corporation Law of Delaware and effective as of the date of the approval of the resolution.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTIN COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors and persons who are the beneficial owners of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Officers, directors and beneficial owners of more than 10% of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Each of our directors and executive officers filed the forms that Section 16(a) of the Exchange Act required them to file during fiscal year 2005.

ITEM 10. EXECUTIVE COMPENSATION

COMPENSATION OF EXECUTIVE OFFICERS

EXECUTIVE COMPENSATION

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION		
					AWARDS		PAYOUTS
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY	BONUS ($)	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS	OPTIONS/ SARS (#)	LTIP PAYOUT
Frederic P. Zotos CEO and President	2005(1)	$173,000	-0-	-0-	-0-	-0-	-0-
William L. Sklar President (2)	2004	$-0-	-0-	-0-	-0-	-0-	-0-
Ronald Cole Jr.	2003	$-0-	-0-	-0-	-0-	-0-	-0-
President (3)	2002	$-0-	-0-	-0-	-0-	-0-	-0-

Salaries above do not include perquisites and other personal benefits in amounts less than 10% of the total annual salary and other compensation.

Other then the individuals listed above, the Company has no other executive employees who have received more than $100,000.00 in compensation, including bonuses and options, during each of the last three (3) fiscal years.

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(1) The salary listed for Mr. Zotos is his expected salary for 2005. Mr. Zotos began as the Company's Chief Executive Officer on February 18, 2005, when Mr. Sklar resigned. Mr. Zotos has been accruing his salary as of April 1, 2005. As of December 31, 2005, Mr. Zotos had accrued approximately $150,000 in salary.

(2) William L. Sklar served as the Company's President from January 27, 2005 to February 18, 2005, at which time Frederic P. Zotos, was appointed President, Secretary, Treasurer and Chief Executive Officer of the Company by the Company's Board of Directors.

(3) Thomas V. Ackerly Served as the Company's sole officer from the Company's inception on December 16, 1997 to November 26, 2001, at which time Ronald Cole, Jr. was appointed sole officer and Director of the Company. On January 27, 2005, William L. Sklar was elected as sole officer and Director of the Company.

LONG TERM INCENTIVE PLAN AWARDS

No long term incentive plan awards were made to a Named Officer during the last fiscal year.

COMPENSATION OF DIRECTORS

Board members are reimbursed for reasonable expenses incurred in connection with attending meetings of the board and of committees of the board.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS

Employment Agreement

Frederic P. Zotos entered into an employment agreement with the Company on March 15, 2005, effective as of February 18, 2005, and subsequently amended on January 1, 2006. The employment agreement calls for Mr. Zotos to serve as the Company's Chief Executive Officer and President. Under the agreement, Mr. Zotos is to receive $200,000 per year plus a bonus to be determined by the Company's Board of Directors. The Company agreed to annually increase the Base Salary at a rate of ten percent (10%) above the rate for the preceding year. The term of the employment agreement shall be until terminated by the Company or Mr. Zotos. The employment agreement may be terminated by the Company for "cause," including (i) conviction of any crime constituting a felony in the jurisdiction involved, (ii) engaging in any substantiated act involving moral turpitude, (iii) engaging in any act which subjects the Company to public ridicule or embarrassment, (iv) grossly negligent performance of duties under the Employment Agreement, (v) willful failure or refusal to perform duties under the Employment Agreement, or (vi) material breach of any provision of the agreement. Additionally, the agreement may be terminated by reason of Mr. Zotos' death or Mr. Zotos' voluntary retirement. If the agreement is terminated by Mr. Zotos' retirement or by the Company for "cause," Mr. Zotos will be entitled to only his salary earned through the date of the termination of his employment. Additionally, the Company can terminate Mr. Zotos' employment under the agreement due to his incapacity due to physical or mental illness, if he is absent from his duties on a full time basis for one hundred and twenty (180) days within any three hundred and sixty-five (365) period. If the Company terminates Mr. Zotos' employment for any other reason other than for "cause," the Company shall pay Mr. Zotos a pro rata amount of his salary which he earned through the date of his termination and severance pay equal to the amount Mr. Zotos would have received during the period beginning on the date of termination and ending twelve (12) months from the date of his termination. Mr. Zotos agreed under the agreement not to compete with the Company during his employment or for one (1) year following the termination of his employment with the Company. Mr. Zotos has been accruing his salary as of April 1, 2005, until such time as the Company has sufficient funds to make payments, but in no event later than January 31, 2007, whereupon the Company shall pay all the deferred and accrued salary. As of May 31, 2006, Mr. Zotos had accrued approximately $241,666 in salary, and $13,118 in interest at 10% per year. We plan to pay this accrued salary and interest through debt and/or equity financing in connection with the Merger.

Consulting Agreement

Michael L. Ferrari entered into a consultancy agreement with the Company on January 1, 2006. The consultancy agreement calls for Mr. Ferrari to provide consulting services to the Company in connection with the clinical, regulatory and business development of therapeutic drugs and the technical evaluation of commercial applications of such technologies. The Company agreed to pay Mr. Ferrari $5,000 per month, for Mr. Ferrari's first forty (40) hours of work per month and $100 per hour thereafter and reimburse Mr. Ferrari for pre-approved business expenses in current in connection with the consulting services rendered to the Company. Payments are currently being deferred and accrued in accordance with the consultancy agreement until such time as the Company has sufficient funds to make payments, but in no event later than January 31, 2007, whereupon the Company shall pay all the deferred and accrued invoices, and shall cease to defer and accrue any future invoices. The consultancy agreement included a confidentiality provision, whereby Mr. Ferrari agreed not to disclose the Company's confidential information other than in connection with the consulting services. The consultancy agreement is for a period of three (3) years

from the date of the agreement and is renewable upon written agreement of the parties. The consultancy agreement may be terminated by either party at any time upon one (1) year prior written notice. The Company has not paid Mr. Ferrari in connection with the consulting agreement, and currently owes Mr. Ferrari $25,000 in unpaid consulting fees. We plan to pay these consulting fees through debt and/or equity financing in connection with the Merger.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides the names and addresses of each person known to own directly or beneficially more than a 5% of the outstanding Common Stock (as determined in accordance with Rule 13d-3 under the Exchange Act) as of December 31, 2005 and by the officers and directors, individually and as a group. Except as otherwise indicated, all shares are owned directly.

	Beneficially Owned Prior to Offering		
Name and Address of Beneficial Owner(1)	Shares	Percent(2)	
Frederic P. Zotos	20,000,000	42.8	%
Michael Ferrari	20,000,000	42.8	%
All the officers and directors as a group (2 persons)	40,000,000	85.6	%

(1) The address of each of the Company's officers and Directors is the Company's principal executive offices at 99 Derby Street, Suite 200, Hingham, MA 02043.

(2) Using 46,748,650 shares outstanding as of December 31, 2005.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On February 10, 2005, the Company entered into an Agreement and Plan of Reorganization with Tyrol Therapeutics, LLC, a Delaware limited liability company ("Tyrol") and the members of Tyrol (the "Reorganization"). Pursuant to the Reorganization, the Company exchanged 40,900,000 restricted shares of the Company's Common Stock for 100% of the membership interest of Tyrol. The Tyrol members included the Company's Chief Executive Officer and the Company's Vice President who each received 20,000,000 restricted shares of the Company's Common Stock pursuant to the Reorganization.

In January 2005, Mr. Sklar entered into an Indemnification Agreement with the Company, and in February 2005, Mr. Zotos and Mr. Ferrari entered into an Indemnification Agreements with the Company. The Indemnification Agreements provide for the Company to indemnify each individual if any are or become a party to or a witness to any threatened, pending or completed action, suit, investigation or proceeding. Additionally, the Company shall advance to each individual any and all expenses in connection with any indemnification, provided, however that each individual must have obtained prior approval of the Board of Directors of the Company, unless the Company had previously experienced a "change in control," in which case an independent counsel selected by the individual, and approved by a majority of the disinterested directors, shall determine whether and to what extent the individual is permitted to be indemnified by the Company.

On March 15, 2005, the Company entered into an employment agreement with the Company's Chief Executive Officer, Frederic P. Zotos, effective as of February 18, 2005, and subsequently amended on January 1, 2006. The Employment Agreement calls for Mr. Zotos to serve as the Company's Chief Executive Officer and President. Under the agreement, Mr. Zotos is to receive $200,000 per year plus a bonus to be determined by the Company's Board of Directors. The Company agreed to annually increase the Base Salary at a rate of ten percent (10%) above the rate for the preceding year. The Employment Agreement may be terminated by the Company for "cause," by reason of Mr. Zotos' death or Mr. Zotos' voluntary retirement. Additionally, the Company can terminate Mr. Zotos' employment under the Employment Agreement due to his incapacity due to physical or mental illness. Mr. Zotos agreed under the Employment Agreement not to compete with the Company during his employment or for One (1) year following the termination of his employment with the Company. The term of the Employment Agreement shall be until terminated by the Company or Mr. Zotos.

On May 25, 2005, William K. Mackey and William L. Sklar, the Company's Director, entered into a Note and Security Agreement with the Company. Under the Note and Security Agreement, Mr. Mackey and Mr. Sklar loaned the Company $20,000, which is due within ninety (90) days of the date of the Note and Security Agreement, or August 23, 2005. The due date of the Note was subsequently amended by a First Amendment to Note and Security Agreement, which moved the due date to 105 days of the date of Note and Security Agreement, then again by a Second Amendment to Note and Security Agreement, which moved the due date of the Note to 120 days from the date of the Note and Security Agreement, or September 22, 2005, then again by a Third Amendment to Note and Security Agreement, which moved the due date of the Note to 135 days from the date of the Note and Security Agreement, or October 7, 2005, and then again by a Fourth Amendment to Note and Security Agreement, which moved the due date of the Note to 184 days from the date of the Note and Security Agreement, or November 25, 2005. Until the note is paid, the amount outstanding bears interest calculated at the rate of 8% per year. The note was secured by 3,000 shares of First Coventry Corporation, the Company's wholly-owned Delaware subsidiary.

On June 1, 2005, the Company's wholly-owned subsidiary, First Coventry Corporation ("First Coventry") entered into an Indemnification Agreement with the Company's Chief Executive Officer and Director, Frederic P. Zotos, to indemnify Mr. Zotos against personal liability in connection with the advancing of expenses to First Coventry and/or any liability Mr. Zotos may have as a result of being the sole Director, President, Chief Executive Officer, Secretary and Treasurer of First Coventry.

During the year ending December 31, 2005, William L. Sklar, the Company's Director, provided accounting services to the Company in connection with preparing the Company's Registration Statement and quarterly reports. Mr. Sklar completed tasks requiring 74 billable hours, at an hourly rate of $350, resulting in a total of $25,900. Mr. Sklar indicated that he would accept shares of the Company's registered (S-8) common stock in lieu of cash at the price of $.029/share, resulting in a total of 900,000 shares of common stock.

On January 1, 2006, the Company entered into a consultancy agreement with the Company's Vice-President and Director, Michael L. Ferrari. Under the agreement, Mr. Ferrari is to receive $5,000 per month for his first forty (40) hours of work per month and $100 per hour thereafter. The consultancy agreement is for a period of three (3) years from the date of the agreement and is renewable upon written agreement of the parties. The consultancy agreement may be terminated by either party at any time upon one (1) year prior written notice.

Pursuant to our restated certificate of incorporation and bylaws, we have entered into indemnification agreements with each of our directors and executive officers.

All transactions between us and our officers, directors, principal stockholders and their affiliates are approved by a majority of the board of directors, including a majority of the independent and disinterested outside directors on the board of directors. We believe that the transaction set forth above was made on terms no less favorable to us than could have been obtained from unaffiliated third parties.

ITEM 13. EXHIBITS LIST AND REPORTS ON FORM 8-K

EXHIBITS

The following documents are referenced or included in this report.

Exhibit No.	Description
2.1(1)	Agreement and Plan of Reorganization Among Pathogenics, Inc., Tyrol Therapeutics, LLC and Members of Tyrol Therapeutics, LLC dated February 10, 2005
3.1(1)	Certificate of Incorporation of Niktronic, Inc. dated December 16, 1997.
3.2(1)	Certificate of Amendment of Certificate of Niktronic, Inc. dated January 13, 1998.
3.3(1)	Certificate for Renewal and Revival of Charter of Needle Impulse Technologies Corp. (formerly Niktronic, Inc.) dated February 2, 2005.
3.4(1)	Restated Certificate of Incorporation of Needle Impulse Technologies Corp. dated February 3, 2005.
3.5(1)	Certificate of Designations of Convertible Preferred Stock of Pathogenics Inc. (formerly Needle Impulse Technologies Corp.) dated February 18, 2005.
3.6(1)	Bylaws of Pathogenics, Inc., as amended to date.
5.1(1)	Legal Opinion that Shares Covered by Form SB-2 Registration Statement are Validly Issued, Fully Paid and Non-Assessable dated March 18, 2005.
10.1(1)	Securities Purchase Agreement dated February 18, 2005 among Pathogenics, Inc, Manillo Investors Limited, Bayside Associates Limited, Castlegate Group Limited, Kensington Group Limited and Trufello Associates Limited.
10.2(1)	License Agreement dated October 18, 2001 among Atlantic Technology Ventures, Inc., Dr. Waldemar Gottardi, Dr. Markus Nagl and Dr. Andreas Neher.
10.3(1)	Assignment Agreement dated December 18, 2002 between Atlantic Technology Ventures, Inc., and Pathogenics, LLC.
10.4(1)	Consent to Assignment of License Agreement by Atlantic Technology Ventures, Inc. to Pathogenics, LLC dated January 10, 2003.
10.5(1)	Registration Rights Agreement dated February 18, 2005 between Pathogenics, Inc. and William K. Mackey.
10.6(1)	Consulting Agreement dated September 29, 2004 between Pathogenics, LLC and William K. Mackey.
10.7(1)	Employment Agreement dated March 15, 2005 between Pathogenics, Inc. and Frederic P. Zotos, Esq.
10.8(1)	Exclusive License Agreement dated May 25, 2005 among Pathogenics, Inc., Alpha Research Group, LLC and Jodi A. Nelson.
10.9(1)	Assignment Agreement dated May 25, 2005 between Pathogenics, Inc. and First Coventry Corporation.
10.10(1)	Consulting Agreement dated May 25, 2005 between Pathogenics, Inc. and Jodi A. Nelson.
10.11*	First Amendment dated January 1, 2006 to Employment Agreement dated March 15, 2005 between Pathogenics, Inc. and Frederic P. Zotos, Esq.
10.12*	Consulting Agreement dated January 1, 2006 between Pathogenics, Inc. and Michael L. Ferrari.
10.13*	Consulting Agreement dated February 17, 2006 between Pathogenics, Inc. Qualified Ventures, LLC (“QV”).
10.14(2)	Letter of Intent dated April 4, 2006 between Pathogenics, Inc. and Egenix, Inc.
10.15*	Revocation dated March 20, 2006 of Assignment Agreement dated May 25, 2005 between Pathogenics, Inc. and First Coventry Corporation.
10.16*	License Agreement dated March 29, 2006 among Pathogenics, Inc., Dr. Waldemar Gottardi and Dr. Markus Nagl.
10.17+,*	License Agreement dated April 13, 2006 between Pathogenics, Inc. and Acuity Pharmaceuticals, Inc.
10.18(3)	Agreement and Plan of Merger dated May 4, 2006 between Pathogenics, Inc. and Egenix, Inc.
99.1(1)	Frederic P. Zotos Salary Deferral Letter for Second and Third Quarterly Fiscal Periods April 1 - September 30, 2005, dated August 10, 2005.

99.2*	Frederic P. Zotos Salary Deferral Letter for Fourth Quarterly Fiscal Periods October 1 - December 31, 2005, dated January 1, 2006.
99.3*	Frederic P. Zotos Salary Deferral Letter for First Quarterly Fiscal Period January 1 - March 31, 2006, dated April 1, 2006.
99.4*	Certification required by Rule 13a-14(a) or Rule 15d-14(a).
99.5*	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

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

* Filed herewith.

(1) Incorporated by reference to exhibits of Pathogenics, Inc.'s registration statement on Form SB-2 (No. 333-123431), as filed with the Securities and Exchange Commission (the "SEC") on March 18, 2005 and as amended by Amendment No. 1, and Amendment No. 2 as filed with the Commission on July 5, 2005 and August 29, 2005, respectively.

(2) Incorporated by reference to exhibits of Pathogenics, Inc.'s Form 8-K filed on April 6, 2006.

(3) Incorporated by reference to exhibits of Pathogenics, Inc.'s Form 8-K filed on May 5, 2006.

REPORTS ON FORM 8-K

On April 4, 2006, we filed with the SEC a report on Form 8-K stating that, on that day, we entered into a mutual Letter of Intent with Egenix, Inc. to merge the companies. A copy of the Letter of Intent was attached thereto.

On April 19, 2006, we filed with the SEC a report on Form 8-K stating that, on April 13, 2006, we entered into a patent License Agreement with Acuity Pharmaceuticals, Inc. A copy of a press release announcing the License Agreement was attached thereto, and a copy of the License Agreement is filed herewith.

On May 5, 2006, we filed with the SEC a report on Form 8-K stating that, on May 4, 2006, we entered into an Agreement and Plan of Merger with Egenix, Inc. A copy of the Agreement was attached thereto.

On May 8, 2006, we filed with the SEC a report on Form 8-K stating that, on May 3, 2006, we terminated a Securities Purchase Agreement entered into on February 18, 2005 between the Company and five (5) entities, Manillo Investors Limited, Bayside Associates Limited, Castlegate Group Limited, Kensington Group Limited and Trufello Associates Limited.

On May 11, 2006, we filed with the SEC a report on Form 8-K stating that, on that day, the holders of a majority of the shares of currently issued and outstanding common stock of the Company entitled to vote at an election of directors approved by written consent a resolution removing William L. Sklar as a director of the Corporation.

On May 15, 2006, we filed with the SEC a report on Form 8-K stating that, on May 9, 2006, we received a Notice of Termination of License Agreement entered into on May 25, between the Company, Alpha Research Group, LLC and Jodi A. Nelson. We stated that we believe in good faith that the Notice of Termination is entirely ineffective, that the License Agreement has not been terminated and remains in full-force and effect, and that the claims in support of termination are entirely without merit. The Company has elected to seek relief through application of the formal dispute resolution process in accordance with the clear provisions of License Agreement, and intends to vigorously defend its position.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act, Atlantic has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on June 27, 2006.

PATHOGENICS, INC.

By: /s/ FREDERIC P. ZOTOS

Name: Frederic P. Zotos
Title: President, Chief Executive Officer and Director

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Frederic P. Zotos Frederic P. Zotos	President, Chief Executive Officer and Director (Principal Financial and Accounting Officer)	June 27, 2006
/s/ Michael L. Ferrari Michael L. Ferrari	Vice-President and Director	June 27, 2006

PATHOGENICS, INC. AND SUBSIDIARIES

(A Development Stage Company)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Pathogenics, Inc
(A Development Stage Company)
Hingham, MA

We have audited the accompanying consolidated balance sheet of Pathogenics, Inc. as of December 31, 2005, and the related consolidated statements of expenses, stockholder's deficit and cash flows for the years ended December 31, 2005 and 2004 and the period from December 16, 1997 (inception) Through December 31, 2005. These financial statements are the responsibility of Pathogenic, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pathogenics, Inc. as of December 31, 2005, and the results of its operations and its cash flows for the periods described above in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company is a development stage company which experienced significant losses since inception with no revenues. Also discussed in Note 1 to the consolidated financial statements, a significant amount of additional capital will be necessary to advance the development of the Company's products to the point at which they may become commercially viable. Those conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Malone & Bailey, PC
Houston, Texas
www.malone-bailey.com

June 15, 2006

PATHOGENICS, INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET
As of December 31, 2005

ASSETS	
Current Assets	
Cash	$284
TOTAL ASSETS	$284
LIABILITIES AND STOCKHOLDERS' DEFICIT	
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	$118,085
Loans payable - related parties	184,762
TOTAL LIABILITIES	302,847
Stockholders' Deficit	
Preferred stock, $0.001 par value, 10,000,000 shares authorized, none issued and outstanding	—
Common stock, $0.001 par value, 110,000,000 shares authorized, 46,748,650 shares issued and outstanding	46,749
Additional paid-in capital	109,151
Deficit accumulated during the development stage	(458,463)
Total stockholders' deficit	(302,563)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$284

See summary of significant accounting policies
and notes to financial statements.

PATHOGENICS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF EXPENSES
Years Ended December 31, 2005 and 2004 and
the Period from December 16, 1997 (Inception) Through December 31, 2005

	2005	2004	Inception Through December 31, 2005
Operating Expenses:			
General & administrative	$313,012	$17,059	$355,566
Research & development	96,884	—	96,884
Total Operating Expenses	409,896	17,059	452,450
Net loss	(409,896)	(17,059)	(452,450)
Preferred dividends	6,013	—	6,013
Net loss attributable to common stockholders	$(415,909)	$(17,059)	$(458,463)
Basic and diluted net loss per common share	$(0.01)	$(0.00)	
Weighted average common shares outstanding	42,019,186	40,000,000	

See summary of significant accounting policies
and notes to financial statements.

PATHOGENICS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
Years Ended December 31, 2005 and 2004 and
the Period from December 16, 1997 (Inception) Through December 31, 2005

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholder's Equity (Deficit)
	Shares	Amount	Shares	Amount			
Stock issued for formation costs	—	$—	40,000,000	$40,000	$(40,000)	$—	$—
Net income	—	—	—	—	—	$(269)	$(269)
Balance at December 31, 2002	—	—	40,000,000	40,000	(40,000)	(269)	(269)
Net loss	—	—	—	—	—	(25,226)	(25,226)
Balance at December 31, 2003	—	—	40,000,000	40,000	(40,000)	(25,495)	(25,495)
Net loss	—	—	—	—	—	(17,059)	(17,059)
Balance at December 31, 2004	—	—	40,000,000	40,000	(40,000)	(42,554)	(42,554)
Common shares issued for cash	—	—	900,000	900	—	—	900
Issuance of common shares to Pathogenics' shareholder for recapitalization	—	—	503,830	504	(504)	—	—
Preferred shares issued for cash	5,636	155,000	—	—	—	—	—
Conversion of preferred stock to common stock	(5,636)	(155,000)	5,344,820	5,345	149,655	—	155,000
Accrual of preferred dividends	—	—	—	—	—	(6,013)	(6,013)
Net loss	—	—	—	—	—	$(409,896)	$(409,896)
Balance at December 31, 2005	—	$—	46,748,650	$46,749	$109,151	$(458,463)	$(302,563)

See summary of significant accounting policies
and notes to financial statements.

PATHOGENICS, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004 and
the Period from December 16, 1997 (Inception) Through December 31, 2005

	2005	2004	Inception Through December 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(409,896)	$(17,059)	$(452,450)
Adjustments to reconcile net loss to cash used in operating activities:			
Changes in:			
Accounts payable and accrued liabilities	249,671	6,676	256,347
Stock payable	6,650	—	6,650
Net Cash Used In Operating Activities	(153,575)	(10,383)	(189,453)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related parties	—	10,459	35,954
Repayments of advances from related parties	(2,117)	—	(2,117)
Proceeds from issuance of common stock	900	—	900
Proceeds from issuance of preferred stock	155,000	—	155,000
Net Cash Provided By Financing Activities	153,783	10,459	189,737
NET CHANGE IN CASH	208	76	284
CASH AT BEGINNING OF PERIOD	76	—	—
CASH AT END OF PERIOD	$284	$76	$284
Supplemental Disclosures:			
Interest paid	$—	$—	$—
Income tax paid	—	—	—
Non-cash Transactions:			
Issuance of common shares to founders	—	—	40,000
Issuance of common shares for recapitalization	504	—	504
Dividends declared and unpaid	6,013	—	6,013
Conversion of preferred shares to common shares	155,000	—	155,000

See summary of significant accounting policies
and notes to financial statements.

PATHOGENICS, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business. Pathogenics, Inc. ("Pathogenics") was incorporated in Delaware on December 16, 1997 as Niktronic, Inc. On the same day it changed its name to Needle Impulse Technologies, Corp. On February 8, 2005, the company changed its name to Pathogenics, Inc. From the date of inception until February 10, 2005, the company was inactive and had no commercial operations.

On February 10, 2005, Pathogenics, Inc. (“Pathogenics”) and Tyrol Therapeutics, LLC (“Tyrol”) entered into an Agreement and Plan of Reorganization (the “Agreement”), in which Pathogenics acquired all assets of and assumed all of the liabilities of Tyrol for 40,900,000 shares of common stock of Pathogenics. As a result, after the closing of the Agreement, the former members of Tyrol own approximately 98.41% of the voting shares of Pathogenics. Due to the former members of Tyrol received the majority of the voting shares of Pathogenics, the current President of Tyrol became the President of the Company and representatives of Tyrol hold two of the seats on the Company’s Board of Directors, the merger was accounted for as a recapitalization of Tyrol, whereby Tyrol was the accounting acquirer (legal acquiree) and Pathogenics was the accounting acquiree (legal acquirer).

Accordingly, at the closing, Pathogenics was a non-operating shell corporation unable to meet the definition of a business as defined in EITF Consensus 98-3. Therefore, the transaction was accounted for as a recapitalization of Tyrol. This transaction is equivalent to Tyrol issuing stock for the net liabilities of Pathogenics, accompanied by a recapitalization. The accounting is identical to that resulting from a reverse acquisition, except that there are no adjustments to the historic carrying values of the assets and liabilities.

In January 2005, Tyrol sold an equity interest to an individual for $900 that resulted in 900,000 shares of Pathogenics. These shares are included in the shares issued to the Tyrol founders as a result of the merger.

Basis of presentation. The consolidated financial statements include the accounts of Pathogenics and its wholly-owned subsidiaries, Tyrol Therapeutics, LLC and First Coventry Corporation. Significant inter-company accounts and transactions have been eliminated.

Use of Estimates. In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenue and expenses in the income statement. Actual results could differ from those estimates.

Research and Development. Research and development expenses include consulting fees, facility costs, and laboratory costs. All costs for research and development activities are expensed as incurred. Pathogenics expenses the costs of licenses of patents until the issuance of such patents and the commercialization of related products is reasonably assured.

Recently Issued Accounting Pronouncements. Pathogenics does not expect the adoption of recently issued accounting pronouncements to have a significant impact on Pathogenics results of operations, financial position or cash flow.

Development Stage And Going Concern. Pathogenics had no operations from inception until the reorganization on February 10, 2005 and is a development stage company. Pathogenics has not generated any revenues and there is no assurance of any future revenues. As of December 31, 2005, Pathogenics had an accumulated deficit of $458,463 and a working capital deficit of $302,563. In addition, Pathogenics did not generate any cash from operations and had no cash reserve dedicated to fund expenditures. These factors create a substantial doubt as to Pathogenics' ability to continue as a going concern.

Pathogenics will require substantial additional funding for continuing research and development, obtaining regulatory approval and for the commercialization of its products. Management expects to be able to raise enough funds to meet its working capital requirements through through debt and/or equity financing in connection with a proposed merger with Egenix, Inc. There is no assurance that Pathogenics will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtainable on terms satisfactory to Pathogenics. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 - LOANS PAYABLE TO RELATED PARTIES

Pathogenics borrowed $20,000 on May 25, 2005 from two related parties at 8% interest, to be repaid in a single combined payment of interest and principal, 184 days from the receipt of funds. As security for the note payable, Pathogenics assigned the 3,000 shares in First Coventry to the two noteholders. On November 8, 2005, the maturity date on the note agreement was extended to November 25, 2005. Pathogenics has not paid any monies under the note and is currently in default.

NOTE 3 - PREFERRED STOCK

On February 8, 2005, Pathogenics entered into a Securities Purchase Agreement to sell convertible preferred stock in the aggregate principal amount of $275,000, convertible into shares of common stock at a per share conversion price of $0.029. The agreement provided for the sale to take place in four tranches. During the 12 months ended December 31, 2005, Pathogenics issued 5,636 shares of Convertible Preferred Stock for $155,000 cash. The Convertible Preferred Stock has cumulative dividends at 2.5% above the prime rate. The prime rate was 7.25% at December 31, 2005.
During the fourth quarter of 2005, the shareholders of the Convertible Preferred Stock converted 5,636 shares of Convertible Preferred Stock into 5,344,820 shares of Common Stock. There is no Convertible Preferred Stock issued and outstanding at December 31, 2005. The stock purchase agreement was terminated on May 3, 2006.

The Securities Purchase Agreement contains penalties which Pathogenics was required to pay to the purchasers, since Pathogenics did not obtain effectiveness of its registration statement within the time periods provided in the Securities Purchase Agreement. On January 23, 2006, Pathogenics issued 45,862 shares of common stock to each of the five preferred stock purchasers for a total authorized issuance of 229,310 shares of common stock, thus paying in full all liquidated damages due to the Purchasers.

NOTE 4 - COMMON STOCK

On December 16, 1997, the company issued 1,000 common shares in recognition of the $1,000 of formation costs paid by its parent company Vulcan, Inc. (formerly GS Financial Services, Inc.)

On February 8, 2005 Pathogenics increased the number of outstanding common shares from 1,000 to 503,830 in order to effectuate what is generally referred to as a “forward split” on a 503.83 to one basis. The impact of this forward split has been reflected in the accompanying financial statements retroactive to inception.

NOTE 5 - CHORLOQUINE

On May 25, 2005, Pathogenics acquired the rights to chorloquine and related compounds for treatment of various neurological, psychiatric, psychological and nervous system diseases and disorders from Alpha Research Group, LLC and Jodi A. Nelson. In return, Pathogenics is required to provide a 4% royalty on future net sales, and the payments of $100,000, $250,000 and $1,000,000 when certain milestones are met. Pathogenics first acquired the rights to the treatment, incorporated a new subsidiary, First Coventry Corporation, and then in exchange

for the 3,000 issued and outstanding shares of First Coventry, Pathogenics assigned the rights to chorloquine and related compounds for treatment of various neurological, psychiatric, psychological and nervous system diseases and disorders to First Coventry.

On March 20, 2006, the assignment to First Coventry was revoked. In consideration for all the issued and outstanding shares of First Coventry, Pathogenics issued 689,655 shares of common stock with a value of $20,000 to First Coventry.

NOTE 6 - SUBSEQUENT EVENT

On May 4, 2006, Pathogenics entered into an Agreement and Plan of Merger with Egenix, Inc. (“Egenix”), a Delaware corporation. The agreement provides that Egenix shall merge with and into Pathogenics and Pathogenics shall become the surviving corporation and shall change its name to Egenix, Inc.

EXHIBIT 10.11

FIRST AMENDMENT

TO

EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT (the "First Amendment") to the EMPLOYMENT AGREEMENT (the "Agreement"), is made in Hingham, Massachusetts as of the 1st day of January, 2006, between Pathogenics, Inc. a Delaware corporation having its executive offices and principal place of business at 99 Derby Street, Suite 200, Hingham, MA 02043 (the "Company"), and Frederic P. Zotos, an individual currently residing at 1623 Avalon Drive, Hull, MA 02045 ("Employee").

WHEREAS, the Parties hereto entered into the Agreement dated March 15, 2005;

WHEREAS, the Parties hereto desire to amend certain aspects of the Agreement;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and agreements hereinafter set forth, the Company and Executive agree as follows:

1. As of the date hereof, Section 2(c) shall be amended to read in its entirety as follows:

Place of Performance. Employee shall be based at the Company's offices in Hingham, Massachusetts and/or at the Employee's office at the Employee's personal residence within reasonable access to the Company's offices in Hingham, Massachusetts, and the Employee shall not be required to relocate to any other location.

2. As of the date hereof, Section 3(a) shall be amended to read in its entirety as follows:

Base Salary. The Company agrees to pay to Employee a base salary ("Base Salary") at the annual rate of $200,000, payable in equal installments consistent with the Company's payroll practices. The Company agrees to annually increase the Base Salary at a rate of ten percent (10%) above the rate for the preceding year. Notwithstanding the forgoing, the Employee may choose to defer and accrue a portion of the Base Salary. The salary deferral and accrual shall end and Company will pay the Employee in full the deferred and accrued salary amount hereunder upon the earlier of either the Employee's own determination, the termination of employment of the Employee under the terms of this Agreement, or the expiration of the Term of this Agreement. The Employee shall receive interest on any amount of deferred and accrued salary hereunder at an annual percentage rate of ten percent (10%).

3. As of the date hereof, Section 3(c) shall be amended to read in its entirety as follows:

Benefits and Perquisites. Employee shall be entitled to participate in, to the extent Employee is otherwise eligible under the terms thereof, the benefit plans and programs, and receive the benefits and perquisites, generally provided to the Company's employees, including without limitation family medical insurance and life insurance. Employee shall be entitled to six weeks of vacation per year. Vacation not taken during the applicable fiscal year shall be accrued and carried over to the next fiscal year, and thereafter until it is either used by the Employee or paid for by the Company.

4. As of the date hereof, Section 4 shall be amended to read in its entirety as follows:

(a) Termination. The Company may terminate Employee's employment for Cause (as defined below) or for any breach of this Agreement, in which case the provisions of Section 4(b) of this Agreement shall apply. The Company may also terminate Employee's employment in the event of Employee's Disability (as defined below), in which case the provisions of Section 4(c) of this Agreement shall apply. The Company may also terminate the Employee's employment for any other reason by written notice to Employee, in which case the provisions of Section 4(d) of this Agreement shall apply. If Employee's employment is terminated by reason of Employee's retirement or voluntary resignation (only without Good Reason as defined in Section 4(f) herein), the provisions of Section 4(b) of this Agreement shall apply. The Employee may also terminate the Employee's employment for any Good Reason by written notice to the Company, in which case the provisions of Sections 4(d) and 4(f) of this Agreement shall apply.

(b) Termination for Cause; Termination by Reason of Retirement or Voluntary Resignation (without Good Reason). In the event that Employee's employment hereunder is terminated during the Term (x) by the Company for Cause (as defined below), (y) by reason of Employee's retirement or (z) by reason of Employee's voluntary resignation (only without Good Reason as defined in Section 4(f) herein), then the Company shall pay to Employee only the Base Salary through such date of termination. For purposes of this Agreement, "Cause" shall mean (i) conviction of any crime (whether or not involving the Company) constituting a felony in the jurisdiction involved; (ii) engaging in any substantiated act involving moral turpitude; (iii) engaging in any act which, in each case, subjects, or if generally known would subject, the Company to public ridicule or embarrassment; (iv) gross neglect or misconduct in the performance of Employee's duties hereunder; (v) willful failure or refusal to perform such duties as may reasonably be delegated to Employee; or (vi) material breach of any provision of this Agreement by Employee; provided, however, that with respect to clauses (iv), (v) or (vi), Employee shall have received written notice from the Company setting forth the alleged act or failure to act constituting "Cause" hereunder, and Employee shall not have cured such act or refusal to act within 10 business days of his actual receipt of notice.

(c) Disability. If, as a result of Employee's incapacity due to physical or mental illness, Employee shall have been absent from Employee's duties hereunder on a full time basis for one hundred eighty (180) days within any three hundred sixty-five (365) day period, the Company may terminate Employee's employment hereunder for "Disability". In that event, the Company shall pay to Employee the Base Salary through such date of termination and, in lieu of any further compensation and benefits for the balance of the Term, severance pay equal to the Base Salary that Employee would have otherwise received during the period beginning on such date of termination and ending twelve (12) months from the effective date of such termination, which severance pay shall be paid commencing with such date of termination at the times and in the amounts such Base Salary would have been paid. Notwithstanding the forgoing, the Company shall also pay the Employee in full any deferred and accrued salary owed under Section 3(a) of this Agreement, and any accrued and unused vacation pay owed under Section 3(c) of this Agreement. During any period that Employee fails to perform Employee's duties hereunder as a result of incapacity due to physical or mental illness (a "Disability Period"), Employee shall continue to receive the compensation and benefits provided by Section 3 of this Agreement until Employee's employment hereunder is terminated; provided, however, that the amount of compensation and benefits received by Employee during the Disability Period shall be reduced by the aggregate amounts, if

any, payable to Employee under disability benefit plans and programs of the Company or under the Social Security disability insurance program.

(d) Termination By Company For Any Other Reason. In the event that Employee's employment hereunder is terminated by the Company during the Term for any reason other than as provided in Section 4(b) of this Agreement, then the Company shall pay to Employee the Base Salary through such date of termination and, in lieu of any further compensation and benefits for the balance of the Term, severance pay equal to the Base Salary that Employee would have otherwise received during the period beginning on such date of termination and ending twelve (12) months from the effective date of such termination, which severance pay shall be paid commencing with such date of termination at the times and in the amounts such Base Salary would have been paid. Notwithstanding the forgoing, the Company shall also pay the Employee in full any deferred and accrued salary owed under Section 3(a) of this Agreement, and any accrued and unused vacation pay owed under Section 3(c) of this Agreement. Notwithstanding anything to the contrary contained herein, in the event that Employee shall breach Section 5 or 6 of this Agreement, in addition to any other remedies the Company may have in the event Employee breaches this Agreement, the Company's obligation pursuant to this Section 4(d) to continue such salary shall cease and Employee's rights thereto shall terminate and shall be forfeited.

(e) No Further Liability; Release. Payment made and performance by the Company in accordance with this Section 4 shall operate to fully discharge and release the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives from any further obligation or liability with respect to Employee's employment and termination of employment. Other than paying Employee's Base Salary through the date of termination of Employee's employment and making any severance payment pursuant to and in accordance with this Section 4 (as applicable), the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives shall have no further obligation or liability to Employee or any other person under this Agreement. The Company shall have the right to condition the payment of any severance pursuant to this Section 4 upon the delivery by Employee to the Company of a release in form and substance satisfactory to the Company of any and all claims Employee may have against the Company and its directors, officers, employees, subsidiaries, affiliates, stockholders, successors, assigns, agents and representatives arising out of or related to Employee's employment by the Company and the termination of such employment.

(f) Termination by Employee for Good Reason. The Employee may terminate his employment for "Good Reason" after giving the Company detailed written notice thereof, if the Company shall have failed to cure the event or circumstance constituting "Good Reason" within ten (10) business days after receiving such notice. Good Reason shall mean the occurrence of any of the following without the written consent of the Employee:

(i) the assignment to the Employee of duties inconsistent with this Agreement or a change in his title or authority;

(ii) any failure by the Company to comply with Section 3 hereof in any material way;

(iii) the requirement of the Employee to relocate to locations other than those provided in Section 2(c) hereof;

(iv) the failure of the Company to comply with and satisfy Section 7(a) of this Agreement; or

(v) any material breach by the Company.

The Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

5. As of the date hereof, Section 8(r) shall be added to read as follows:

(r) Legal Fees and Expenses. If any contest or dispute shall arise between the Company and the Employee regarding any provision of this Agreement, the Company shall reimburse the Employee for all legal fees and expenses reasonably incurred by the Employee in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following their submission to the Company to the extent the Company receives reasonable written evidence of such fees and expenses. The Employee shall return to the Company any such reimbursement the Employee receives from the Company hereunder as soon as practicable following the resolution of such contest or dispute (whether or not appealed), but only if the Company prevails to a substantial extent with respect to the Company's claims brought and pursued in connection with such contest or dispute.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be duly executed on its behalf by an officer thereunto duly authorized and Executive has duly executed this Agreement, all as of the date and year first written above.

PATHOGENICS, INC.	EMPLOYEE:
/s/ Fredric P. Zotos	/s/ Frederic P. Zotos
Frederic P. Zotos, Esq.	Frederic P. Zotos, Esq.
President & CEO	

EXHIBIT 10.12

CONSULTANCY AGREEMENT

CONSULTANCY AGREEMENT (the "Agreement") dated as of January 1st, 2006 (the "Effective Date"), by and between Pathogenics, Inc., a Delaware corporation (the "Corporation"), having a place of business at 99 Derby Street, Suite 200, Hingham, MA 02043, and Michael L. Ferrari (the "Consultant"), an individual residing at 2-47 150th Street, Whitestone, NY 11357.

WHEREAS, the Corporation desires that it be able to call upon the experience and knowledge of Consultant for consultation services and advice concerning the clinical, regulatory and business development of therapeutic drugs and the technical evaluation of commercial applications of such technologies; and,

WHEREAS, Consultant is willing to render such services to the Corporation on the terms and conditions hereinafter set forth in this Agreement;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the parties hereto agree as follows:

1. Term and Termination of Agreement. Commencing on the Effective Date, Consultant shall be retained by the Corporation on a monthly basis for a period of three (3) years, which shall be renewable upon written agreement of the parties for additional three-year periods. The initial term and any extensions or renewals thereof shall constitute the "Consulting Term." This Agreement may be terminated by either party at any time upon one (1) year's prior written notice.

2. Position and Responsibilities. Consultant hereby agrees to serve as a consultant to the Corporation and to render such advice and services to the Corporation as may be reasonably required by the Corporation including, without limitation, advising the Corporation with respect to the direction of the Corporation's research and product development and business development activities. During the Consulting Term, Consultant shall report directly to Frederic P. Zotos, President of the Corporation.

3. Compensation. The Corporation shall pay Consultant a monthly retainer of five-thousand dollars ($5,000/ month) per month for Consultant's first forty (40) hours of billable work each month, and an hourly rate of one-hundred dollars per hour ($100/hr.) for each hour thereafter. Consultant shall not exceed forty hours of billable work per month without first providing the Corporation with a written estimate of the expected excess hours, and then obtaining written pre-authorization from the Corporation. In the event Consultant exceeds forty hours of billable work in any given month, the Consultant shall provide the Corporation with an invoice documenting Consultant's activities and billable time in excess of forty hours, and Corporation shall pay this invoice upon receipt (except as indicated herein below) if the amount is not in dispute. Notwithstanding anything to the contrary above, payment of the invoices following the execution of this Agreement shall be deferred and accrued by the Corporation until such time as the Corporation has sufficient funds to do so, but in no event later than January 31st, 2007, whereupon the Corporation shall pay all the deferred and accrued invoices, and shall cease to defer and accrue any future invoices.

4. Expenses. Consultant shall be reimbursed in accordance with the policies of the Corporation for necessary and reasonable pre-approved business expenses incurred by Consultant in connection with their performance of his duties hereunder. Consultant shall provide the Corporation with an invoice documenting Consultant's reimbursable expenses, and Corporation shall pay this invoice within thirty (30) days of receipt if the amount is not in dispute.

5. Confidentiality. Consultant recognizes and acknowledges that, in the course of his duties, Consultant may receive confidential or proprietary information owned by the Corporation or other third parties with whom the Corporation has an obligation of confidentiality. Therefore, during and after the Consulting Term, Consultant agrees to keep confidential and not disclose or use (except in connection with the fulfillment of his consulting duties to the Corporation under this Agreement) all confidential or proprietary information owned by or receive by or on behalf of the Corporation. "Confidential Information" shall include, but shall not be limited to, confidential or proprietary scientific or technical information customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Corporation generally, or of any subsidiary or affiliate of the Corporation. "Confidential Information" shall not include, however, information in the public domain, information disclosed to Consultant by a third party entitled to disclose it without obligation of confidentiality or information already known to Consultant prior to its receipt.

6. Non-Solicitation. During the Consulting Term and for a period of one year thereafter, Consultant 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 the Corporation or any parent, subsidiary or affiliate of the Corporation.

7. Ownership of Work Product and Inventions. In consideration of the compensation paid to the Consultant by the Corporation in paragraph 3 of this Agreement, Consultant hereby assigns to the Corporation all his right, title and interest in all Consultant's work product and inventions, including any and all data, plans, reports and recommendations, as well as any inventions or improvements, conceived or made individually or jointly with others while performing consulting activities under this Agreement, relating to any work within the scope of this Agreement and/or relating to the business of and/or resulting from Consultant's services upon behalf of the Corporation ("Work Product and Inventions") shall be considered as work made for hire, made and held by Consultant in a fiduciary capacity for the exclusive benefit of the Corporation. Work Product and Inventions shall be the sole and exclusive property of the Corporation and shall not be disclosed to any other party without the prior written approval of the Corporation and such Work Product and Inventions shall be considered Confidential subject to section 5 above.

Consultant shall promptly and disclose fully to the Corporation or its designated agent, but to no other person, any and all inventions, improvements, formulas, processes and the like (also "Inventions"), arising while performing consulting activities under this Agreement. When requested by the Corporation, either during or subsequent to the term of this Agreement, Consultant shall assist the Corporation and its agents in the preparation, filing and prosecution of patent applications, covering such inventions, and in the enforcement or defense of any patent which may issue therefrom. Consultant shall assign, transfer, and set over unto the Corporation his entire right, title and interest in and to any and all Work Product and Inventions, as well as any patent application(s) relating to such Work Product and Inventions that arise from his consulting activities for the Corporation hereunder. Consultant agrees to cooperate fully in the prosecution of any patent applications resulting from any such invention, at the expense of the Corporation, which cooperation shall include executing any necessary documents in connection therewith. The filing of all such applications, as well as the issuance and maintenance of patent therefrom, shall be at the sole discretion of the Corporation.

8. Specific Performance. Consultant acknowledges and agrees that the Corporation's remedies at law for a breach or threatened breach of an of the provisions of paragraph 5 through 7 of this Agreement would be inadequate and, in recognition of this fact, Consultant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Corporation shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any equitable remedy which may then be available.

9. Representation of Consultant: Use of Name. Consultant hereby represents that there are no binding agreements to which he is a party or by which he is bound forbidding or restricting his activities herein. In addition, Consultant consents to the use of his name in various reports, brochures or other documents produced by or on behalf of the Corporation, including any and all documents filed with the Securities and Exchange Commission.

10. Consultant Not an Employee. The Corporation and Consultant hereby acknowledge and agree that Consultant shall perform the services hereunder as an independent contractor and not as an employee of the Corporation. Consultant agrees that he will file his own tax returns on the basis of his status as an independent contractor for the reporting of all income, social security, employment and other taxes due and owing on the consideration received by him under this Agreement and that he is responsible for the payment of such taxes. Similarly, Consultant shall not be entitled to benefits specifically associated with employment status, such as medical, dental and life insurance, stock or stock options of the Corporation (except as specifically provided in this Agreement) and shall not be entitled to participate in any other employer benefit programs. As an independent contractor, Consultant acknowledges, understands and agrees that he is not, and shall not represent himself to third parties as being, the agent or representative of the Corporation nor does he 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 the Corporation, as its agent, representative or otherwise, except as specifically set forth herein. Consultant agrees to defend, indemnify and hold the Corporation harmless from any and all claims made by any entity on account of an alleged failure by Consultant to satisfy any tax or withholding obligations.

11. Representation and Warranty. Consultant represents and warrants to the Corporation that all services and advice offered to the Corporation are provided based on best efforts and a good faith belief of the veracity of such services and advice. Given such representations and warranties the Corporation agrees to not hold Consultant liable for any errors, omissions or consequential damages that may occur as a result of Consultant's services provided hereunder.

12. Limitation of Liability. Corporation acknowledges that it has substantial knowledge, experience and expertise with respect to the matters as to which Consultant will provide consulting services and that it is able to and will independently evaluate any advice rendered by Consultant to Corporation in the performance of its duties hereunder. Therefore, Corporation agrees that neither Consultant nor any of its officers, directors, shareholders or affiliates shall have any liability whatsoever for any advice rendered to Corporation under this Agreement. Corporation's sole remedy for Consultant's failure to perform under the terms of this Agreement shall be to terminate this Agreement in accordance with the terms of Section 1 herein.

13. Indemnification. Corporation shall indemnify and hold Consultant harmless from any claim, suit, loss, liability damage or expense (including attorney's reasonable fees) arising from Consultant's service hereunder, including any losses arising from the use by Corporation of any advice given by Consultant. Consultant shall indemnify and hold Corporation harmless from any losses arising from negligence or wrongful or intentionally willful misconduct or omissions of Consultant.

14. Consulting for Third Parties. The Corporation recognizes that Consultant may, from time to time during the term of this Agreement and at his sole discretion, provide consulting services to other parties. Consultant agrees to notify the Corporation in such case and to provide information to the Corporation as reasonably necessary to demonstrate that such consulting services do not compete with the business of the Corporation. The Corporation also agrees to permit Consultant to notify other parties with information about this Agreement as reasonably necessary to demonstrate that such consulting services do not compete with the business of the Corporation.

15. Miscellaneous,

(a) Governing Law and Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principals of conflicts of laws. Subject to the following, for purposes of this Agreement, each Party consents, for itself and its Affiliates, to the jurisdiction of the courts of the state of New York, county of Manhattan and the U.S. District Court for New York.

(b) Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the retention of Consultant by the Corporation. There are no restrictions, agreements, promises, warranties, covenants or undertaking between the parties with respect to the subject matter herein other than those expressly set forth herein. This Agreement may not be altered, modified or amended except by written instrument signed by the parties hereto.

(c) No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(d) Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

(e) Successor; Binding Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. Consultant may not assign this Agreement without the prior written consent of the corporation.

(f) Counterpart; Effectiveness. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(g) Survival of Termination. Paragraph 5 (only for three years after the termination of this Agreement), 6 (only for one year after the termination of this Agreement), 7, 8, 9, 10, 11, 12, 13 and 15 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first above written.

PATHOGENICS, INC.

By: /s/ Frederic P. Zotos
Frederic P. Zotos, Esq.
President & CEO

MICHAEL L. FERRARI.

By: /s/ Michael L. Ferrari
Michael L. Ferrari

EXHIBIT 10.13

February 17, 2006

Frederic P. Zotos, Esq.
President & CEO
Pathogenics, Inc.
99 Derby Street, Suite 200
Hingham, MA 02043 USA

Dear Fred:

This letter is to confirm our mutual agreement and understanding with respect to the role of Qualified Ventures, LLC ("QV") as a consultant in connection with the potential merger, asset purchase, licensing agreement or similar business combination (the "Transaction") between Pathogenics, Inc. ("Pathogenics") and Acuity Pharmaceuticals, Inc. ("Partner").

In the capacity as a consultant, QV has introduced Pathogenics and Partner. In consideration for such efforts and services, Pathogenics shall pay QV a fee equal to a percentage of the amount of the total consideration paid by the Partner to Pathogenics, its employees, former or current equity holders in connection with the Transaction according to the following formula:

- Five percent (5%) of the first $1,000,000 received
- Four percent (4%) of the second $1,000,000 received
- Three percent (3%) of the third $1,000,000 received
- Two percent (2%) of the fourth $1,000,000 received
- One percent (1%) of any amount received thereafter

Pathogenics shall pay such fee to QV simultaneously with the closing and consummation of the Transaction by and between the Pathogenics and Partner. Pathogenics shall pay QV such fee on any consideration paid to Pathogenics by Partner at any time other than the closing of the Transaction within seven days of being received by Pathogenics. Pathogenics agrees to keep QV apprised of the progress with respect to the Transaction.
The parties acknowledge that QV is an independent contractor and shall not be considered an agent of the Partner or to have a fiduciary duty to the Partner and may not bind or obligate the Partner.

This agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be wholly performed within such state without regard to any State's principles of conflict of laws.
If the foregoing represents a full understanding of our agreement, please sign below in the place indicated and return one copy to me.

Agreed to By:

/s/ Baruch Ruttner
Baruch Ruttner, M.D.
Qualified Ventures, LLC

/s/ Frederic P. Zotos
Frederic P. Zotos, Esq.
Pathogenics, Inc.

EXHIBIT 10.15

REVOCATION OF ASSIGNMENT

THIS REVOCATION (the "Revocation of Assignment") to the ASSIGNMENT AGREEMENT (the "Assignment") is effective as of the 1st day of June 2005 ("Effective Date") by and between FIRST COVENTRY CORPORATION, a Delaware corporation having offices at 99 Derby Street, Suite 200, Hingham, MA 02043 ("FIRST COVENTRY"), and PATHOGENICS CORPORATION, a Delaware corporation having offices at 99 Derby Street, Suite 200, Hingham, MA 02043 ("PATHOGENICS").

WHEREAS, on May 25, 2005 PATHOGENICS entered into a certain license agreement for Chloroquine patents and patent applications between PATHOGENICS (as exclusive, worldwide Licensee) and Alpha Research Group, LLC and Jodi A. Nelson (collectively, the Licensors), a copy of which is attached hereto as Exhibit A ("License Agreement");

WHEREAS, on May 25, 2005 the PATHOGENICS board of directors resolved by unanimous written consent of its disinterested directors to purchase three-thousand (3,000) shares representing one-hundred percent (100%) of the authorized common stock (the Shares) of FIRST COVENTRY, a copy of which is attached hereto as Exhibit B ("Unanimous Consent");

WHEREAS, on May 25, 2005 pursuant to the Unanimous Consent PATHOGENICS issued a note and security agreement in the amount of $20,000 at 8% APR to William K. Mackey and William L. Sklar, which grants a security interest in the Shares, a copy of which is attached hereto as Exhibit C ("Note and Security Agreement");

WHEREAS, on May 25, 2005 PATHOGENICS Assigned to FIRST COVENTRY all of PATHOGENICS' rights and obligations under the License Agreement against its receipt of the Shares, a copy of which is attached hereto as Exhibit D ("Assignment"). The Unanimous Consent, the Investment Agreement, and the Note and Security Agreement are silent as to the nature of the consideration PATHOGENICS conveys to FIRST COVENTRY in return for the Shares. Accordingly, PATHOGENICS and FIRST COVENTRY both desire to revoke the Assignment as consideration for the Shares of FIRST COVENTRY, and substitute in its place $20,000 worth of shares of common stock of PATHOGENICS in consideration for the Shares of FIRST COVENTRY;

WHEREAS, on June 1, 2005 pursuant to the Unanimous Consent PATHOGENICS entered into the Investment Agreement with FIRST COVENTRY, thereby buying the Shares and making FIRST COVENTRY the wholly owned subsidiary of PATHOGENICS, a copy of which is attached hereto as Exhibit E. The Investment Agreement requires that PATHOGENICS acquire the Shares for its own account and for investment purposes only, within the meaning of the Securities Act of 1933 (the Act), with no intention of assigning any participation or interest therein, and not with a view to the distribution thereof. Furthermore, PATHOGENICS may not transfer or assign its rights under the Investment Agreement, and that the assignment and transferability of the Shares is restricted. As a result, PATHOGENICS' granting of a security interest in the Shares by the Note and Security Agreement was ineffective. Accordingly, PATHOGENICS and FIRST COVENTRY both desire to amend the Investment Agreement to allow PATHOGENICS to freely grant a security interest in the Shares, and give full force and effect to the granting of a security interest in the Shares by the Note and Security Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration described below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. FIRST COVENTRY and PATHOGENICS hereby revoke, rescind and cancel the Assignment to FIRST COVENTRY of all of PATHOGENICS' rights and obligations under the License Agreement thereby restoring the Parties to their pre-Assignment status.

2. FIRST COVENTRY hereby assigns, transfers, conveys and relinquishes exclusively to PATHOGENICS, its lawful successors and assigns, all of FIRST COVENTRY's rights and obligations under the Assignment and License Agreement.

3. PATHOGENICS assumes, and agrees to pay and perform, all unperformed obligations of FIRST COVENTRY under the Assignment and License Agreement. PATHOGENICS agrees that by executing and delivering this Agreement PATHOGENICS shall become the sole existing party amongst them to the License Agreement and agrees to be bound by all of the terms and provisions of the License Agreement.

4. In furtherance of this Agreement, FIRST COVENTRY hereby acknowledges that, from the Effective Date forward, PATHOGENICS has succeeded to all of FIRST COVENTRY's rights, obligations, title, and standing in relation to the License Agreement, to institute and prosecute all suits and proceedings, to take all actions that PATHOGENICS, in its sole discretion, may deem necessary or proper to collect, assert, or enforce any claim, right, or title of any kind under the License Agreement, whether arising before or after the Effective Date, to defend and compromise any and all such actions, suits, or proceedings relating to such transferred and assigned rights, title, interest, and benefits, and to do all other such acts and things in relation thereto as PATHOGENICS in its sole discretion deems advisable.

5. FIRST COVENTRY and PATHOGENICS agree to amend the Investment Agreement to allow PATHOGENICS' grant of a security interest in the Shares in accordance with the terms of the Note and Security Agreement, and allow their unrestricted assignment or transfer in the event of PATHOGENICS' default thereon, a copy of which is attached hereto as Exhibit F (the "First Amendment to the Investment Agreement").

6. PATHOGENICS agrees to amend the Investment Agreement to instruct its transfer agent on the first anniversary of the effective date of the Investment Agreement, June 1, 2006, to issue FIRST COVENTRY $20,000 worth of its common stock, the value of which is attributed by the Parties to be $0.029 per share on the effective date of the Investment Agreement, June 1, 2005, for a total of 689,655 shares of the PATHOGENICS' common stock, together with an appropriate instruction and opinion of counsel directing the delivery of these shares of common stock without any restrictive legends pursuant to Rule 144 under the 1933 Act.

7. FIRST COVENTRY represents and warrants that, to the best of FIRST COVENTRY's knowledge, upon consummation of this Agreement, PATHOGENICS shall have good and marketable title to the License Agreement, free and clear of any and all liens, mortgages, encumbrances, pledges, security interests, licenses, or charges of any nature whatsoever.

8. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto together with their respective legal representatives, successors and assigns.

9. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (excluding conflicts of law rules) and of the United States of America.

10. This Agreement merges and supersedes all prior and contemporaneous agreements, assurances, representations, and communications between or among the parties hereto concerning the matters set forth herein.

11. If a dispute arises out of or relates to this Agreement, or a breach thereof, and if the dispute cannot be settled through negotiation, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to arbitration, litigation, or some other dispute resolution procedure.

12. Any claim or controversy arising out of or relating to this Agreement, or the breach thereof, that cannot be settled through mediation shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment o the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first written below.

FIRST COVENTRY CORPORATION	PATHOGENICS, INC.
By: /s/ Frederic P. Zotos	By: /s/ Frederic P. Zotos
Name: Frederic P. Zotos, Esq.	Name: Frederic P. Zotos, Esq.
Title: President & CEO	Title: President & CEO
Date: March 20, 2006	Date: March 20, 2006

EXHIBIT 10.16

License Agreement

This Agreement is made and entered into between individuals Dr. Waldemar Gottardi, Hoher Weg 13, A-6020 Innsbruck, Austria, and Dr. Markus Nagl, Hintermetzentaler 4, A-6094 Axams, Austria ("LICENSORS") and Pathogenics, Inc., a Delaware Corporation ("LICENSEE"), having offices at 99 Derby Street, Suite 200, Hingham, MA 02043.

Whereas, LICENSORS are the owners of the entire right, title and interest in the Patents and/or Patent Applications described in Exhibit A attached hereto, and the Technology described and/or claimed therein; and

Whereas, LICENSORS are the owners of joint and several rights, titles and interests in the Patents and/or Patent Applications described in Exhibit A, and have been contractually appointed by all the other owners to dispose of the entire right, title and interest in the Patents and/or Patent Applications, and the Technology described and/or claimed therein, as described in separate Inventor Revenue Sharing Contracts in Exhibit B attached hereto; and

Whereas, LICENSEE is desirous of obtaining an exclusive worldwide license in order to practice the above referenced Technology covered by said Patent Rights and to manufacture, have manufactured, use and sell in the commercial market the products made in accordance therewith; and

Whereas, LICENSORS are desirous of granting such a license to LICENSEE in accordance with the terms of this Agreement.

Now, therefore, in consideration of the foregoing and the mutual agreements contained herein, the parties agree as follows:

ARTICLE 1

DEFINITIONS

1.1 "Patent Rights" shall mean (i) the Patents and Patent Applications described in Exhibit A attached hereto, the Technology described and/or claimed therein, and any substitutions of patents and patent applications, divisions of patents and patent applications, continuations of patents and patent applications, continuations-in-part of patents and patent applications, patents issuing thereon or reissues or re-examinations

thereof and any and all patents and patent applications corresponding thereto; (ii) all patents and patent applications to the extent assigned to LICENSORS and to the extent LICENSORS are able, under their obligations to third parties, to grant rights to LICENSEE and on which Inventors are a named inventor, the Technology described and/or claimed therein and any substitutions, divisions, continuations, continuations-in-part, patents issuing thereon or reissues or re-examinations thereof, which relate to the design, development and/or manufacture of any products incorporating the Technology and any and all patents and patent applications corresponding thereto; (iii) all patents and patent applications to the extent assigned to LICENSORS and to the extent LICENSORS are able, under their obligations to third parties, to grant rights to LICENSEE and on which Inventors are a named inventor, the Technology described and/or claimed therein and any substitutions divisions, continuations, continuations-in-part, patents issuing thereon or reissues or re-examinations thereof which relate to any improvements in the Technology and any and all patents and patent applications corresponding thereto. The patents and patent applications corresponding thereto referred to in (i), (ii) and (iii) above, when filed or issued, will be automatically incorporated in and added to this Agreement and shall periodically be added to Exhibit A attached to this Agreement and made a part hereof; provided, however, that failure to periodically add such patents and/or patent applications thereto shall not be considered to exclude such patents and/or patent applications from the meaning of "Patent Rights."

1.2 "Licensed Processes" shall mean all technologies, methods, formulas, plans or processes and any improvements thereof, relating to or which are covered in whole or in part by any claim contained in the Patent Rights.

1.3 "Licensed Products" shall mean products or components thereof claimed in Patent Rights or products or components thereof made in accordance with or by means of any Licensed Process.

1.4 "Gross Sales" shall mean the amount billed or invoiced on sales of Licensed Products or Licensed Processes.

1.5 "Affiliates" shall mean any company, corporation, or business of which LICENSEE owns or controls at least fifty percent (50%) of the voting stock or which owns or controls at least fifty percent (50%) of the voting stock of LICENSEE.

1.6 "Field" shall mean all potential fields of use of the Patent Rights, the Licensed Products, and the Licensed Processes.

1.7 "Sublicensee" shall mean an entity which LICENSEE has granted (a) the right to manufacture and market the Licensed Products, (b) the right to practice the Licensed Processes, or (c) the right to sublicense the Licensed Processes to others.

1.8 "Technology" shall mean any novel therapeutic use or formulation of N-Chlorotaruine or combination thereof and any of its derivatives or analogs.

1.9 "Sublicense Payments" shall mean any payments received by LICENSEE from sublicenses of rights granted by LICENSORS to LICENSEE under Section 2.1 of this Agreement, as consideration for the grant of such sublicenses, including without limitation, license fees, milestone payments, license maintenance fees, and royalty payments based on sales of Licensed Products or use of Licensed Processes by such sublicense, but excluding amounts received by LICENSEE (i) in connection with or as a result of amounts or payments to fund or reimburse LICENSEE's research and development in connection with the Technology, (ii) in connection with or as a result of amounts or payments to fund or reimburse LICENSEE's patent expenses in connection with the Technology, or (iii)) in connection with or as a result of amounts or payments made as consideration for a sublicensee's purchase of securities of LICENSEE.

ARTICLE 2

GRANT OF LICENSE

2.1 LICENSORS hereby grant to LICENSEE and LICENSEE accepts, subject to the terms and conditions hereof, a worldwide exclusive (event against LICENSORS) license in the Field, under the Patent Rights, to make and have made, to use and have used, to sell and have sold, to distribute and have distributed, and to market and have marketed the Licensed Products, and to practice the Licensed Processes, for the life of the Patent Rights. Such license shall include the right to grant sublicenses, upon which the LICENSORS are consulted. LICENSORS agree they will not assign, encumber, grant a license to and/or permit a lien to exist upon, the Patent Rights in any territory for any Field to or by any third party and will not themselves practice the Patent Rights other than for their own non-commercial research purposes. Licensors agree, on behalf of themselves, their successors and any other person or entity who or which may claim a right in or under the Patent Rights, that any purported transfer or encumbrance of rights shall be null and void and of no effect.

2.2 LICENSORS hereby grant to LICENSEE the right to extend the licenses granted in paragraph 2.1 to one or more Affiliates, subject to the terms and conditions hereof.

2.3 LICENSORS hereby represent and warrant to LICENSEE that LICENSORS are the sole owners of the Patent Rights as reflected on Exhibit A on the date hereof, no person or entity has or will have any rights of any kind with respect to such Patent Rights except for the rights of LICENSEE pursuant to this Agreement, and accordingly, LICENSORS have full legal right to grant to LICENSEE the license provided for herein, and such grant does not and will not violate or conflict with the rights of any person or entity.

ARTICLE 3

ROYALTIES AND FEES

3.1 LICENSEE shall pay to LICENSORS jointly and severally, during the term of the license of paragraph 2.1, a total royalty of four percent (4%) of the Gross Sales of all Licensed Products sold by LICENSEE and its Affiliates. LICENSEE shall pay to LICENSORS jointly and severally, during the term of the license of paragraph 2.1, a total of twenty percent (20%) of the Sublicense Payments which LICENSEE and its Affiliates receive from Sublicensees for sublicenses of the Licensed Products or Licensed Processes. No multiple payments shall be due because the sale or sublicense of any Licensed Product or Licensed Process is described in more than one sentence of this section 3.1. In the event of any such overlap, the sentence which most accurately describes the relevant transaction at issue shall prevail. On Gross Sales or sublicenses between LICENSEE and its Affiliates, royalties shall be payable only on the resale or resublicense by such Affiliate. In the event of a use or sale of Licensed Products or Licensed Processes solely for clinical testing or research and development purposes for which LICENSEE receives no revenue, the no royalty shall be due or payable to LICENSORS.

3.2 As further consideration for the license and other rights granted to LICENSEE hereunder, (a) LICENSEE shall pay to LICENSORS jointly and severally a one-time patent issue fee of One Hundred Thousand Dollars ($100,000) payable in cash or registered stock of the Licensee upon the first-time issuance of the first patent of each patent family for a licensed Product or Licensed Process, [a patent family comprises all patents concerning the same invention and originating from the sake priority application] (b) LICENSEE shall pay to LICENSORS jointly and severally a one-time milestone payment of Two Hundred and Fifty Thousand Dollars ($250,000) payable in cash or registered stock of the LICENSEE upon successful completion of a Phase III clinical trial for each licensed Product or Licensed Process, and (c) LICENSEE shall pay to LICENSORS jointly and severally a one-time milestone payment of One Million Dollars ($1,000,000) payable in cash or registered stock of the Licensee upon receiving new drug approval for each Licensed Product or Licensed Process. In the event LICENSEE enters into a sublicense with a Third Party or Third Parties under Section 2.1 of this Agreement and ceases the manufacture and sale of the Licensed Product, then as of the effective date of the sublicense LICENSEE's obligation to pay LICENSORS any royalty or milestone payments under Article 3 herein shall terminate and, in lieu thereof, LICENSORS shall be entitled jointly and severally to twenty percent (20%) of Sublicense Payments received by LICENSEE.

ARTICLE 4

REPORTING

4.1 LICENSEE shall report to LICENSORS the date of first sale of Licensed Products (or results of Licensed Processes) in each country within thirty (30) day of occurrence.

4.2 LICENSEE shall provide LICENSORS within sixty (60) days after each of the calendar half-years ending June 30 and December 31, reports setting forth, for the preceding six (6) -month period, the amount of Licensed Products sold by LICENSEE and its Affiliates in each country, the Gross Sales thereof, the amount of Sublicensee royalties received by LICENSEE and its Affiliates and the amount of royalty due to LICENSORS with respect to the foregoing. With each such royalty report, LICENSEE shall include the payment of the royalty due. Such report shall include a detailed listing of all Gross Sales, sublicensee income, or royalties as specified herein. No written report shall be required for any reporting period prior to the first royalty payment. Written reports shall be required for each reporting period after the first royalty payment. All royalties due hereunder shall be payable in United States dollars. Conversion of foreign currency to U.S. dollars shall be made at the conversion rate existing in the United States, as quoted in *The Wall Street Journal*, three (3) days prior to the date that such royalty payments by LICENSEE was due to LICENSOR. Payments which are more than thirty (30) days past due and which are not the subject of a good faith controversy between the parties hereto shall be subject to an interest charge of one percent (1%) per month.

4.3 LICENSORS agree that at all times, both during the term and after the termination of this Agreement, they will keep in confidence and trust all information provided to it hereunder by LICENSEE or provided to them by any third party pursuant to Section 5.1 hereof (the "Proprietary Information"), and it will not use or disclose any Proprietary Information or anything directly relating to such Proprietary Information without the written consent of the LICENSEE. LICENSORS acknowledge that the Proprietary Information constitutes a unique and valuable asset of the LICENSEE, which is secret and confidential and which will be communicated to LICENSORS in confidence and that any disclosure or other use of the Proprietary Information other than for the sole benefit of the LICENSEE would be wrongful and would cause irreparable harm to the LICENSEE.

4.4 Upon written request of LICENSORS and not more than once in each calendar year, LICENSEE shall permit an independent certified public accounting firm selected by LICENSORS and reasonably acceptable to LICENSEE upon ten-days notice to LICENSEE, to review the records of LICENSEE as may be reasonably necessary to

verify the accuracy of royalty reports hereunder for any calendar year ending not more than twenty-four (24) months prior to the date of such request. If the accounting firm concludes that additional royalties were owed during this period, LICENSEE shall pay the additional royalties within sixty (60) days of the date LICENSORS deliver to LICENSEE such accounting firm's written report so concluding; provided however, that, in the event LICENSEE is not in agreement with the conclusion of such report LICENSEE shall not be required to pay such additional royalties until such matter shall be resolved pursuant to the provisions of Section 10.8 herein. In the event such matter is resolved in accordance with Section 10.8 herein, any arbitration award shall be paid within sixty (60) days of the date arbitrators deliver their final decision. The fees charged by such accounting firm shall be paid by LICENSORS; provided, however, that if an error is in favor of LICENSORS of more than the greater of (i) $10,000 or (ii) five percent (5%) of the royalties due hereunder for the period being reviewed is discovered, then the fees and expenses of the accounting firm shall be paid by LICENSEE.

ARTICLE 5

DILIGENCE

5.1 LICENSEE shall use commercially reasonable efforts to develop and commercialize the Technology. As used herein, "commercially reasonable efforts" shall mean efforts and resources normally used by LICENSEE for a Technology owned by it or to which it has exclusive rights, which is of similar market potential at a similar stage in its development or product life, taking into account relevant factors. LICENSORS shall cooperate with LICENSEE in connection with efforts to develop and commercialize the Technology.

ARTICLE 6

PATENT FILING AND MAINTENANCE

6.1 LICENSEE shall take responsibility for the preparation, filing, prosecution and maintenance of any all patent applications and patents included in Patent Rights and shall use his best efforts to promptly procure the broadest possible patents in all countries designated by LICENSEE pursuant to Section 6.2. LICENSORS' patent attorney shall be involved in the preparation and prosecution of patent applications concerning inventions made by LICENSORS.

6.2 Without limiting the provisions of Section 6.1, LICENSORS and LICENSEE shall cooperate fully in the preparation, filing, prosecution and maintenance of the Patent Rights including without limitations, the execution of all papers and instruments necessary or desirable to enable LICENSEE to apply for, to prosecute and to maintain patent applications and patents in LICENSORS' name in any country. Each party shall provide to the other prompt notice as to all matters which come to its attention

and which may affect the preparation, filing, prosecution or maintenance of any such patent applications or patents. Either party may give notice to the other of any country in which such party wishes to seek patent protections for all or any part of the Patent Rights. In the case of such a designation by LICENSEE (and the provision of reasonable assurance of payment by it of the expenses to be incurred) LICENSORS may not refuse to seek such patent protection in the country so designated.

ARTICLE 7

INFRINGEMENT

7.1 With respect to any Patent Rights, LICENSEE and/or its Sublicensees shall have the right to prosecute in their own names and at their own expense any infringement thereof. LICENSORS agree to notify LICENSEE promptly of each infringement of the Patent Rights of which LICENSORS are or become aware. Failure by either party to commence an action which is contemplated by this Section 7.1 shall not constitute a breach of this Agreement.

7.2 If LICENSEE or its Sublicensee elects to commence an action as described above or if an action is third party, LICENSORS shall have the right either to join the action as a co-plaintiff or co-defendant or to assign to LICENSEE all of LICENSOR's right, title and interest, expressly including the right to sue for past infringement thereof, in each patent which is a part of the Patent Rights and is the subject of such action. In the event LICENSORS join the action as a co-plaintiff, LICENSEE shall nevertheless control the action provided that LICENSEE will endeavor to consult with LICENSORS as to the prosecution of such action. In the event that LICENSORS make an assignment of such patent, such assignment shall be irrevocable, and such action on that patent or patents shall thereafter be brought or continued without LICENSOR as a parties, unless LICENSORS are legally indispensable parties. Notwithstanding any such assignment to LICENSEE by LICENSORS and regardless of whether LICENSORS are or are not indispensable parties, LICENSORS shall cooperate fully with LICENSEE, at LICENSEE'S expense, in connection with any action commenced by LICENSEE or any sublicensee. In the event that any patent is assigned to LICENSEE by LICENSORS pursuant to this paragraph, LICENSEE shall continue to meet its obligations under this Agreement, including without limitation its obligation to pay royalties, as if the assigned patent or patent application were still licensed to LICENSEE.

7.3 If LICENSEE or its Sublicensee elects to commence an action as described above, LICENSEE may cover the costs and expensed of such action (including reasonable attorneys fees and including the coverage of LICENSORS' costs) by reducing the royalty due to LICENSOR hereunder by up to fifty percent (50%). In the event that such fifty percent (50%) costs and expenses exceed the amount of royalties reduced by LICENSEE for any calendar year, LICENSEE may to that extent reduce the royalties due

to LICENSORS from LICENSEE in succeeding calendar years, but never by more than fifty percent (50%) of the royalty due in any one calendar year.

7.4 Recoveries or reimbursements from such action (regardless of whether LICENSEE or LICENSORS receive the award) shall first be applied to reimburse LICENSEE and LICENSORS for litigation costs not paid from royalties (if any) and then to reimburse LICENSORS for royalties withheld. Any remaining recoveries or reimbursements shall be paid to LICENSEE.

7.5 In the event that LICENSEE and its Sublicensee, if any, elect not to exercise their right to prosecute an infringement of the Patent Rights pursuant to the above paragraphs, LICENSORS may do so at their own expense, controlling such action and retaining all recoveries therefrom.

ARTICLE 8

TERMINATION OF AGREEMENT

8.1 This Agreement, unless extended or terminated as provided herein, shall remain in effect until the last to expire patent in the Patent Rights; provided, however, that LICENSEE'S obligation to pay royalties pursuant to Section 3.1 will terminate as to any Licensed Products or Licensed Processes when the Patent Rights to which they relate expire or are abandoned.

8.2 (a) The following events shall constitute an event of default under this Agreement (an "Event of Default"):

(i) LICENSEE shall become more than sixty (60) days in arrears in payment of royalties or expenses due pursuant to this AGREEMENT which are not the subject of a bona fide dispute between LICENSORS and LICENSEE and which have not been paid within forty five (45) days after LICENSEE has received notice of such arrearage from LICENSORS; or

(ii) LICENSEE breaches this Agreement in any material respect (other than a breach covered by paragraph 8.2 (a) (i)) and does not cure such breach within sixty (60) days after written notice thereof from LICENSORS or, with respect to any breach incapable of being fully cured within such sixty (60) day period, has not made substantial good faith efforts to cure any such breach within thirty (30) days after written notice thereof from LICENSORS;

(b) LICENSEE may, at its option, terminate this Agreement at any time for any reason whatsoever by doing all of the following:

(i) Cease making, having made, using and selling any Licensed Products or Licensed Processes; and

(ii) Revoke all sublicenses causing all sublicensees to cease making, having made, using and selling Licensed Products or Licensed Processes; and

(iii) Give notice to LICENSORS of such cessation and of LICENSEE'S election to terminate; and

(iv) Tender payment of all accrued royalties.

8.3 On the occurrence of an Event of Default, and if such Event of Default has not been remedied within sixty (60) days after notice in writing of such Event of Default has been given to the LICENSEE by LICENSORS, LICENSORS may terminate this Agreement by written notice.

8.4 Any sublicenses granted by LICENSEE under this Agreement shall provide for termination or assignment to LICENSORS, at the option of LICENSORS, of LICENSEE'S interest therein upon termination of this Agreement.

ARTICLE 9

ASSIGNMENT

9.1 This Agreement, the Patent Rights and the other rights and duties appertaining hereto may not be assigned by either party without first obtaining the written consent of the other which shall not otherwise be unreasonably withheld. Any such purported assignment, without the written consent of the other party, shall be null and void and of no effect. Notwithstanding the foregoing, LICENSEE may assign this Agreement (i) to a purchaser, merging or consolidating corporation, or acquirer of substantially all of LICENSEE'S assets or business and/or pursuant to any reorganization qualifying under section 368 of the Internal Revenue Code of 1986 as amended, as may be in effect at such time, or (ii) to an Affiliate of LICENSEE.

ARTICLE 10

GENERAL

10.1 LICENSORS represent and warrant that they own the entire right, title, and interest in the patent applications or patents comprising the Patent Rights and that LICNESORS have the authority to issue licenses under said Patent Rights. LICENSORS

do not warrant the validity of the Patent Rights licensed hereunder and make no representations whatsoever with regard to the scope of the licensed Patent Rights or that such Patent Rights may be exploited by LICENSEE, an Affiliate, or Sublicensee without infringing other patents provided, however, that LICNESORS have no reason to believe that the Patent Rights are invalid or that exploitation by LICENSEE, an Affiliate or Sublicensee of the Patent Rights will infringe other patents.

10.2 LICENSORS EXPRESSLY DISCLAIM ANY AND ALL IMPLIED OR EXPRESS WARRANTIES AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS OF THE TECHNOLOGY, LICENSED PROCESSES OR LICENSED PRODUCTS CONTEMPLATED BY THIS AGREEMENT FOR ANY PURPOSE.

10.3 (a) LICENSEE shall indemnify, defend and hold harmless LICENSORS and their heirs and assigns (the "Indemnitees"), against any liability, damage, loss or expenses (including reasonable attorney's fees and expenses of litigation) incurred by or imposed upon the Indemnitees or any one of them in connection with claims, suits, actions, demands or judgments arising out of any theory of product liability (including, but not limited to, actions in the from of tort, warranty, or strict liability) concerning any product, process or service made, used or sold pursuant to any right or license granted under this Agreement. The above indemnification shall apply whether or not such liability, damage, loss or expense is attributable to the negligent activities of the Indemnitees but shall not apply if such liability, damage, loss or expense is attributable to the willful misconduct of any Indemnitee.

(b) LICENSEE agrees, at its own expense, to provide attorneys reasonably acceptable to LICENSORS to defend against any actions brought or filed against any party indemnified hereunder with respect to the subject of indemnity contained herein, whether or not such actions are rightfully brought.

10.4 The interpretation and application of the provisions of this Agreement shall be governed by the laws of the State of New York, in the United States of America without regard to principles of conflicts of law.

10.5 LICENSEE agrees to comply with all applicable laws and regulations. In particular, it is understood and acknowledged that the transfer of certain commodities and technical data is subject to United States laws and regulations controlling the export of such commodities and technical data, including all Export Administration Regulations of the United States Department of Commerce. These laws and regulations, among other things, prohibit or require a license for the export of certain types of technical data to certain specified countries. LICENSEE hereby agrees and gives written assurance that it will comply with all United States laws and regulations controlling the export of

commodities and technical data, that it will be solely responsible for any violation of such by LICENSEE or its Affiliates or Sublicensees, and that it will defend and hold LICENSORS harmless in the event of any legal action of any nature occasioned by such violation.

10.6 Written notices required to be given under this Agreement shall be addressed as follows:

If to LICENSORS:

Dr. Waldemar Gottardi
Hoher Weg, 13, A-6020 Innsbruck, Austria
Dr. Markus Nagl
Hintermetzentaler 4, A-6094 Axams, Austria
Telephone No.: +43 512 507 3430
Facsimile No.: +43 512 507 2870

If to LICENSEE:

Frederic P. Zotos, Esq.
Pathogenics, Inc.
99 Derby Street, Suite 200
Hingham, MA 02043
Telephone No.: (781) 925-0780
Facsimile No.: (781) 925-8665

or such other address as either party may request in writing.

10.7 Should a court of competent jurisdiction later consider any provision of this Agreement to be invalid, illegal, or unenforceable, it shall be considered severed provision, provided that the remaining provisions of this Agreement are in accordance with the intention of the parties.

10.8 (a) In the event of any controversy or claim arising out of or relating to any provision of this Agreement or the breach thereof, the parties shall try to settle such conflicts amicably between themselves. Subject to the limitation stated in the final sentence of this section, 10.8, and any such conflict which the parties are unable to resolve shall be settled through binding arbitration conducted in accordance with the Rules of the Commercial Arbitration of the International Chamber of Commerce by one or more arbiter(s) knowledgeable in commercial law and practices, appointed in accordance with such rules.

(b) The demand for arbitration shall be filed within a reasonable time after the controversy or claim has arisen, and in no event after the date upon which

institution of legal proceedings based on such controversy or claim would be barred by the applicable statue of limitation. The arbitration shall be in Innsbruck, Austria if initiated by LINCENSORS and New York, U.S.A. if initiated by LICENSEE.

(c) At the request of either party, arbitration proceedings will be conducted in the utmost secrecy; in such case, all documents, testimony and records shall be received, heard and maintained by the arbitrator in the secrecy under seal, available for the inspection only of the parties and their respective attorneys and their respective experts who shall agree in advance and in writing to receive all such information confidentially and to maintain such information in secrecy until such information shall become generally known.

(d) The award through arbitration shall be final and binding. Either party may enter any such award in a court having jurisdiction or may make application to such court for judicial acceptance of the award and an order of enforcement, as the case may be. Notwithstanding the foregoing, either party may, without recourse to arbitration, assert against the other party a third-party claim or cross-claim in any action brought by a third party, to which the subject matter of this Agreement may be relevant.

10.9 This Agreement constitutes the entire understanding between the parties and neither party shall be obligated by any condition or representation other than those expressly stated herein or therein or as may be subsequently agreed to by the parties hereto in writing.

10.10 This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile or transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

The effective date of this Agreement is March, 29, 2006.

Dr. Waldemar Gottardi

/s/ Waldemar Gottardi

Dr. Markus Nagl

/s/ Markus Nagl

Pathogenics, Inc.

/s/ Frederic P. Zotos

By: Frederic P. Zotos, Esq.
Its: CEO and President

EXHIBIT A

Patents and Patent Applications

1. DE 4041703; Filing Date: 12/24/1990; entitled: “New alkali salts of N-Chlorotaurine.”

2. DE 19816102; Filing Date: 04/10/1998; entitled “Inactivating viruses in protein solutions - comprises treating the protein solutions with N-Chlorotaurine.”

3. DE 10045868.8; Filing Date: September 14, 2000; entitled “Remedy for treatment of acute and chronic Rhinosinusitis and its application.”

4. DE 10144819.8; Priority Application: DE 10045868.8; Filing Date September 11, 2001 (New Matter Added regarding Otitis Externa and Crural Ulcers); entitled “Fungicidal substance and its application.”

5. WO 02/22118; Priority Application: DE 10045868.8; Filing Date September 10, 2001; entitled “Fungicidal agent containing N-Chlorotaurine and use thereof.”

6. US 2004/0116521 A1; Priority Application: DE 10045868.8; Filing Date: September 10, 2001; entitled “Fungicidal agent containing N-Chlorotaurine and use thereof.”

7. WO 2004/052355 A1; Filing Date: December 6, 2002; entitled “Use of N-Chlorotaurine for treatment of oozing tissue deficiencies.”

8. DE 102005023198.5; Filing Date: May 14, 2005; entitled “Aqueous solutions containing chloramine which are free from di- and trichloroamine, as well as from ammonia.”

9. DE 102005038992.9; Filing Date: August, 16, 2005; entitled “Substance against protozoa and its application.”

EXHIBIT B

Inventor Revenue Sharing Contracts

1. Inventor Revenue Sharing Agreement between Dr. Waldemar Gottardi, Dr. Markus Nagl and Dr. Andreas Neher, dated _____.

2. Inventor Revenue Sharing Agreement between Dr. Waldemar Gottardi, Dr. Markus Nagl and Dr. Barbara Teuchner, dated _____.

EXHIBIT 10.17

LICENSE AGREEMENT

License (this "Agreement") made as of April 13, 2006, by and between **Acuity Pharmaceuticals, Inc.,** a Delaware corporation, with its principal offices at 3701 Market Street, Philadelphia, PA, 19104 ("**Acuity**") and **Pathogenics, Inc**., a Delaware Corporation with its principal offices at 99 Derby Street, Suite 200, Hingham, MA 02043 ("**Pathogenics**")**.** (Acuity and Pathogenics are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**").

BACKGROUND

WHEREAS, Acuity is engaged in the research, development and commercialization of ophthalmic pharmaceutical products;

WHEREAS, Pathogenics is a biopharmaceutical company engaged in the acquisition, development and commercialization of novel therapeutics that have potential significant commercial viability and that target certain unmet market needs;

WHEREAS, Pathogenics has exclusively licensed rights to N-Chlorotaurine, a chemical substance produced within the body by white blood cells during an inflammatory reaction ("**N-Chlorotaurine**"), initially developed by researchers at the University Hospital of Innsbruck and the Institute of Hygiene and Social Medicine, Leopold-Franzens-University of Innsbruck, Austria (the "**Institute**");

WHEREAS, Acuity and Pathogenics believe that N-Chlorotaurine could be developed into an efficacious treatment for conjunctivitis and other related ocular conditions;

WHEREAS, researchers at the Institute are preparing to conduct clinical trials in Austria (the "Austrian Clinical Trials") to determine if N-Chlorotaurine can be used as an efficacious treatment for conjunctivitis and other related ocular conditions;

WHEREAS, Acuity desires to obtain from Pathogenics, and Pathogenics desires to grant to Acuity, an exclusive worldwide license to all of Pathogenics' rights in and to N-Chlorotaurine for the development and commercialization of ophthalmic pharmaceutical products for use in humans in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants, agreements, representations and warranties hereinafter set forth, and intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

"Affiliate" means any entity that directly or indirectly Owns, is Owned by, or is under common Ownership with a Party to this Agreement. "Owns" or "Ownership" means direct or

indirect possession of more than fifty percent (50%) of the votes of holders of a corporation's voting securities or a comparable equity interest in any other type of entity.

"Agency" means the FDA or any governmental regulatory authority responsible for granting approvals for the sale of Licensed Products in the United States or any foreign country.

"Agreement" means this Agreement, together with all exhibits and attachments.

"Clinical Trials" means all trials and studies of the application of Licensed Products in humans or clinical studies performed by Acuity for any purpose including without limitation for purposes of obtaining regulatory approval in the United States or any foreign country and marketing Licensed Products in the United States or any foreign country.

"Commercially Reasonable Efforts" means, with respect to the efforts to be expended by a Party with respect to any objective, diligent, good faith efforts to accomplish such objective as such Party would normally use to accomplish a similar objective under similar circumstances, it being understood and agreed that with respect to the development and commercialization of Licensed Products, such efforts shall be substantially equivalent to those efforts and resources commonly used by a bio-pharmaceutical company for a similar pharmaceutical product owned by it or to which it has rights, which product is at a similar stage in its development or product life and is of similar market potential taking into account efficacy, safety, approved labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the product, the likelihood of regulatory approval given the regulatory structure involved, the profitability of the product, alternative products and other relevant factors.

"Confidential Information" has the meaning set forth in Section 6.1.

"**Effective Date**" means the day and year first indicated above.

"EMEA" means the European Medicines Evaluation Agency, or any successor thereto.

"FDA" means the United States Food and Drug Administration, or any successor thereto.

"**Field of Use**" means the treatment of ophthalmic diseases or infection, such as but not limited to, viral conjunctivitis, bacterial conjuctivitis and herpetic keratitis.

"Fiscal Quarter" means each period of three (3) months ending on March 31, June 30, September 30, or December 31.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"**IND**" means an "investigational new drug application" as defined by the United States Food, Drug, and Cosmetic Act, as amended (the "Act"), and applicable FDA rules and regulations or a foreign equivalent.

"**Licensed Products**" means products whose manufacture, use or sale would, but for the existence of this Agreement, infringe a valid claim of the Pathogenics Patent Rights.

"MHW" means the Ministry of Health and Welfare of Japan, or any successor thereto.

"NDA" means a "new drug application," as defined in the Act and applicable FDA rules and regulations, including an application of the type described in section 505(b)(2) of the Act.

"Net Sales" means the total gross proceeds to Acuity on sales to Third Parties representing sales actually collected by Acuity and its Affiliates, less deductions for the following to the extent actually paid or allowed with respect to the such sales:

(a) sales and excise taxes and duties (including import duties) paid or allowed by a selling party and any other governmental charges imposed upon the manufacture or sale, after giving effect to any rebates or refunds relating to such taxes or duties received by Acuity;

(b) rebates and chargebacks (including rebates to social and welfare systems) actually paid;

(c) allowances, chargebacks, and credits to Third Parties on account of rejected, damaged, outdated, returned, withdrawn, or recalled product or on account of retroactive price reductions affecting such product; and

(d) amounts paid to Third Parties on account of rebate payments, including Medicaid rebates.

Taxes, the legal incidence of which is on the purchaser and separately shown on Acuity's or its Affiliates' invoices, and transportation, insurance and postage charges, if prepaid by Acuity or its Affiliates and billed on Acuity's or its Affiliates' invoices as a separate item, shall not be considered a component of Net Sales. Components of Net Sales shall be determined in the ordinary course of business in accordance with Acuity's historical practice and using the accrual method of accounting in accordance with GAAP.

The supply of a product as commercial samples or for use in clinical trials or studies shall not be included within the computation of Net Sales.

Where (i) a product is sold by Acuity or an Affiliate as one of a number of items without a separate price; or (ii) the consideration for a product shall include any non-cash element; or (iii) the product is transferred by Acuity or an Affiliate in any manner other than an invoiced sale, the Net Sales price applicable to any such transaction shall be deemed to be Acuity's average Net Sales price for the applicable quantity of a product to the relevant class of customers at that time.

"**Net Sublicense Payments**" means (a) cash payments made to Acuity in consideration of the sublicense; and (b) the fair market value of any non-cash consideration received by Acuity from a sublicense in consideration of the sublicense other than; provided, however that the following shall not be included in the calculation of Net Sublicense Payments (i) reasonable amounts received in exchange for equity investments in Acuity by a sublicensee, (ii) sponsored research funding paid to Acuity by a sublicensee in a bona fide transaction for future research to be performed by Acuity; (iii) payments for consulting services actually performed by Acuity in a bona fide transaction at arms length rates; and (iv) intellectual property rights received by Acuity from a sublicensee, including, but not limited to, licenses or sublicenses to intellectual property

rights, covenants not to compete against Acuity, or agreements not to assert claims against Acuity.

"Patents" means all valid claims in all patent applications, and all foreign patents and patent applications based thereon, including any continuations, divisionals, continuations-in-part, extensions, reissues and re-examinations of any of the foregoing and all patents issuing from any of the foregoing applications.

"Pathogenics Improvements" means any improvements to the Pathogenics Patent Rights and Pathogenics Know-how, in each case owned by Pathogenics as of the date hereof, that are conceived, created, developed, and/or otherwise invented by Pathogenics, by Acuity.

"Pathogenics Intellectual Property" means the Pathogenics Patent Rights, Pathogenics Improvements, and the Pathogenics Know-how.

"Pathogenics Know-how" means Technical Information owned, developed, or controlled by Pathogenics as of the date of this Agreement or during the Term of this Agreement.

"Pathogenics Patent Rights" means any valid claim of any Patent issued based on a patent application previously or hereafter filed by or on behalf of Pathogenics or previously or subsequently assigned, licensed, or granted to, or acquired by, Pathogenics, including without limitation Patents and patent applications based on Pathogenics Improvements. Exhibit A lists all the patents and patent applications giving rise to Pathogenics Patent Rights as of the date of this Agreement.

"Technical Information" means all techniques and data and other know-how and technical information, including inventions (including patentable inventions), practices, methods, concepts, know-how, trade secrets, documents, computer data, source code, apparatus, clinical and regulatory strategies and data, test data, analytical and quality control data, manufacturing data or descriptions, development information, drawings, specifications, designs, plans, proposals and technical data and manuals and all other proprietary information concerning the development, manufacture, production, quality control, storage, distribution and sale of N-Chlorotaruine or and any of its derivatives or analogs.

"Third Party" means any entity other than Pathogenics or Acuity or their Affiliates.

ARTICLE II

LICENSE GRANT; Diligence Obligation

2.1. License Grants to Acuity. Pathogenics hereby grants to Acuity, and Acuity hereby accepts from Pathogenics, a sole and exclusive (even as to Pathogenics) irrevocable right and license, including the right to sublicense, under and to Pathogenics Intellectual Property to make, have made, use, sell, offer for sale, import or otherwise commercialize N-Chlorotaurine and Licensed Products in the Field of Use with any territory.

2.2. Technology Transfer and Assistance. Pathogenics shall provide reasonable assistance to Acuity to effect the orderly transfer to Acuity of Pathogenics Know-How, including the transfer to Acuity of all Pathogenics Materials. Pathogenics will use

reasonable efforts to provide this assistance to Acuity as soon as practicable. Pathogenics shall cooperate with Acuity in connection with efforts to develop and commercialize N-Chlorotaurine in the Field of Use.

2.3. No Restrictions on Business. Pathogenics agrees that Acuity is in the business of developing, and selling ophthalmic pharmaceutical products and that, subject to Section 3.2, nothing in this Agreement shall be construed as restricting such business or imposing on Acuity the duty to develop, register, market, and/or to sell Licensed Products hereunder to the exclusion of or in preference to any other product or otherwise preclude Acuity from developing other pharmaceutical products. Correspondingly, except as set forth herein, nothing herein shall be construed as restricting the business of Pathogenics.

2.4. Diligence: Development and Commercialization. Acuity shall use Commercially Reasonable Efforts to develop and commercialize the Licensed Product. The obligations set forth in this Section 2.4 are expressly conditioned upon the absence of any serious adverse conditions or event relating to the safety or efficacy of the Technology or Product including the absence of any action by any regulatory authority limiting the development or commercialization of the Technology or Product.

2.5. Sublicenses. Acuity shall have the right to grant sublicenses to any Third Party to develop, make, have made, use, import, offer for sale, market, commercialize, distribute and sell and otherwise dispose of the Technology or Product for use in the Field-of-Use and the Territory; provided, however that any such sublicense shall be consistent with the terms of this Agreement. In the event that Acuity proposes to grant a sublicense to any Third Party, Acuity shall give Pathogenics a written notice prior to entering into the sublicense describing the proposed sublicense, including the specific rights proposed to be sublicensed and the material commercial and professional terms of the proposed sublicense. Acuity shall also provide Pathogenics with a copy of any sublicense agreements. Upon any termination of this Agreement pursuant to Section 9.2, Pathogenics may elect to have any existing sublicense agreement(s) survive and be assigned by Acuity to Pathogenics provided that (i) the sublicensee is not in breach of its sublicense agreement at the time of such termination of this Agreement, and (ii) any sublicensee who desires its sublicense to survive shall promptly agree in writing to be bound by the applicable terms of and assume all obligations of Acuity under this Agreement.

ARTICLE III

AUSTRIA DEVELOPMENT PROGRAM

3.1. Austrian Clinical Trials. Acuity will have non-exclusive rights to all data resulting from the Austrian Clinical Trials. Pathogenics will use its best efforts to cause the researchers at the Institute and any person participating in the Austrian Clinical Trials to provide Acuity with all data resulting from such trials. Acuity shall treat all information disclosed to it under this Section 3.1 as Confidential Information (as herein defined).

3.2. Austrian Trial Acceleration Funding.

(a) Upon the completion of a Phase I clinical trial in Austria to study N-Chlorotaurine in the Field of Use, Pathogenics will use its best efforts to cause the researchers

at the Institute and any person participating in the Austrian Clinical Trials to prepare, or cause to be prepared, and deliver to Acuity a final report for the Phase I clinical trial (the "**Final Report**"). Acuity shall treat all information disclosed to it under this Section 3.2 as Confidential Information (as herein defined).

(b) The scope and form of the Final Report shall be mutually agreed upon by Pathogenics and Acuity prior to its delivery.

(c) Acuity shall have thirty (30) days from the delivery of the Final Report to determine, in Acuity's sole reasonable discretion, if the Final Report justifies the initiation of a Phase II clinical trial in Austria.

(d) If Acuity determines that the Final Report justifies the initiation of a Phase II clinical trial in Austria:

(i) Acuity shall make available to the Institute and or the Phase II clinical investigators, up to $**[*** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission. ***]** to be used to accelerate the Phase II clinical trial. Acuity, Pathogenics, and the researchers Institute and or the Phase II clinical investigators will jointly determine how this money will be utilized.

(ii) Acuity shall use its Commercially Reasonable Efforts to initiate chemistry, manufacturing and pre-clinical activities as are necessary to file an IND with the FDA to initiate a phase I clinical trial in the United States using N-Chlorotaurine as a treatment for an ophthalmic indication. Acuity shall own all right, title, and interest in any data generated in the course of such activities and all applications and data submitted to the any Agency. Acuity will provide Pathogenics with any data generated in the course of such activities and all applications and data submitted to any Agency, and Pathogenics will have non-exclusive rights to this information for research and development activities outside the Field of Use. Pathogenics shall treat all information disclosed to it under this Section 3.2 as Confidential Information (as herein defined).

(e) If Acuity determines that the Final Report fails to justify the initiation of a Phase II clinical trial in Austria and Pathogenics reasonably disagrees with this conclusion, Pathogenics shall have the right to terminate this Agreement upon thirty (30) days notice to Acuity of this determination if Acuity fails to reverse its determination during this thirty-day period.

ARTICLE IV

MILESTONES, FEES, AND ROYALTY PAYMENTS; ACCOUNTING

4.1. Austrian Phase I Clinical Trial Completion Fee. In consideration of the license grant provided by Pathogenics to Acuity, Acuity agrees to pay to Pathogenics a one time $**[*****]** payment upon the successful completion of the Austrian Phase I clinical trial.

4.2. Milestone Payments. In consideration of the license grant provided by Pathogenics to Acuity, and conditioned upon Acuity having determined that the Final Report justifies the initiation of a Phase II clinical trial in Austria, Acuity agrees to pay to Pathogenics, the following milestone payments upon the successful completion of the milestones set forth below for the first Licensed Product hereunder:

	Payment	Sublicense
US Phase I Clinical Trial initiated	$[***]	[***]%
US Phase II Clinical Trial initiated	$[***]	[***]%
US Phase III Clinical Trial initiated	$[***]	[***]%
EMEA Filing	$[***]	[***]%
US NDA Filing	$[***]	[***]%
Japan MHW Filing	$[***]	[***]%
EMEA Approval	$[***]	[***]%
US NDA Approval	$[***]	[***]%
Japan MHW Approval	$[***]	[***]%

(a) Each of the foregoing payments shall be made only once. Thereafter, no additional Milestone Payments shall be due or payable by Acuity to Pathogenics for License Products.

4.3. License Fee. In consideration for the license granted to Acuity under Section 2.1 of this Agreement, Acuity agrees to pay to Pathogenics a one time $**[***]** license fee ("**License Fee**") within 2 business days of the execution of this Agreement.

4.4. Royalty Payments. During the Term, Acuity will pay to Pathogenics a royalty on all Net Sales of Licensed Products sold by Acuity and its Affiliates equal to **[***]** percent (**[***]**%) of Net Sales of Licensed Products.

4.5. Sublicense Fees. During the Term, Acuity will pay to Pathogenics a sublicense fee in a decreasing range as set forth above in Section 4.2 from a maximum of **[***]** percent (**[***]**%) to a minimum of **[***]** percent (**[***]**%) of the Net Sublicense Payments received by Acuity from sublicensees who sell Licensed Products pursuant to a sublicense agreement with Acuity, the sublicense fee depending upon what milestone stage has been successfully completed. Prior to the successful completion of the first milestone as set forth above in Section 4.2, any Third Party sublicensee shall be treated for the purpose of this section as **[***]** of Acuity, and Acuity shall pay Pathogenics a **[***]** royalty on all Net Sales of Licensed Products sold by its **[***]** equal to **[***]** percent (**[***]**%) of Net Sales of Licensed Products as set forth above in Section 4.4.

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

4.6. Withholding Taxes. Acuity shall be entitled to deduct from its payments to Pathogenics the amount of any withholding taxes, value-added taxes or other taxes, levies or charges with respect to such amounts payable by Acuity, or any taxes in each case required to be withheld by Acuity to the extent Acuity pays the appropriate governmental authority on behalf of Pathogenics such taxes, levies or charges. Acuity shall deliver to Pathogenics, upon reasonable request, proof of payment of all such taxes, levies and other charges and appropriate documentation which is necessary to obtain a tax credit, to the extent such tax credit can be obtained.

4.7. Timing of Payments

(a) Acuity shall provide written notice to Pathogenics the satisfaction of such milestone trigger.

(b) Acuity will pay the applicable milestone payments within thirty (30) days of written notice of the achievement of the applicable milestone.

(c) Royalties and Sublicense Fees payable under Section 4.4 or Section 4.5 will be paid not later than sixty (60) days following the end of each Fiscal Quarter, or not later than sixty (60) days from the date that is as soon thereafter as may be practicable in order for Acuity to determine the royalty payable. All payments shall be accompanied by a report in writing showing for the quarter for which such royalty payment applies: (i) the Net Sales of Licensed Products for which royalties are required pursuant to Section 4.4 (along with a reasonably detailed description of the calculation thereof) in United States dollars; (ii) the Sublicense Fees payable pursuant to Section 4.5 in United States dollars; and (iii) the withholding taxes, if any, required by law to be deducted with respect to such royalties and Sublicense Fees and the amounts paid to the appropriate governmental authority with respect to such royalties and Sublicense Fees.

4.8. Minimum Annual License Fee. If total payments (including any payments required pursuant to Section 3.2 or Sections 4.1 through 4.5) required to paid to Pathogenics for the annual periods set forth below are less than the minimum amount set forth below, Acuity shall pay Pathogenics an amount (the "Annual Minimum Payment") for that annual period equal to the difference between the total payments required for such annual period and the Annual Minimum Payment owing for that annual period. Such payment shall be made within forty five days of the end of each applicable year of this Agreement. For the year ended December 31, 2007, the Annual Minimum Payment shall be $**[*** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission. ***]**. For the years ended December 31, 2008, 2009 and 2010, the Annual Minimum Payment shall be $**[***]**. For the years ended December 31, 2011 and 2012, the Annual Minimum Payment shall be $**[***]**. For the year ended December 31, 2013, the Annual Minimum Payment shall be $**[***]**.

4.9. No Other Payments. Pathogenics acknowledges and agrees that other than the payments provided in this Article IV and Section 3.2(d)(i) and all other payment, indemnity and reimbursement obligations set forth in this Agreement, Pathogenics shall not be entitled to

any amounts received by Acuity or its Affiliates and sublicensees from the use, commercialization, license or sale of its rights under this Agreement, regardless of the form or manner of payment (including milestones, royalties or other amounts).

4.10. Audit. Acuity shall maintain and shall require its Affiliates and sublicensees to maintain, at their respective offices accurate and complete books and records of the Net Sales of Licensed Products, consistent with sound business and accounting practices. Upon the written request Pathogenics, but not more than once in any calendar year, Acuity shall permit an independent certified public accounting firm of nationally recognized standing, selected by Pathogenics and acceptable to Acuity, to have access during normal business hours to such records of Acuity as shall be necessary to verify the accuracy of the royalty reports provided hereunder for any year ending not more than thirty-six (36) months prior to the date of such request. The accounting firm shall disclose to Pathogenics only whether the records are accurate or not and the specific details concerning any discrepancies, and shall provide a copy of its report to Acuity. No other information shall be shared. If the audit of royalties shows an underpayment of royalty payments by Acuity of more than the greater of (i) $25,000 or (ii) ten percent (10%), then the expenses of the audit of royalties shall be borne by Acuity; otherwise the expenses of the audit of royalties shall be borne by Pathogenics. If such accounting firm concludes that additional royalties were owed or that royalties were overpaid during such period, then Acuity shall pay the additional royalties or Pathogenics shall credit or pay Acuity such overpayment within thirty (30) days of the date that such accounting firm's written report is delivered to the parties.

4.11. Confidential Financial Information. Each Party shall treat all financial information of the other Party as Confidential Information of the other Party, and shall retain and shall cause its employees and agents to retain, all such financial information in confidence.

ARTICLE V

CERTAIN PROVISIONS REGARDING PATENTS

5.1. Patent Filings, Prosecution and Maintenance of Pathogenics Patent Rights.

(a) Acuity shall have the first right, using in-house or outside legal counsel selected at Acuity's sole discretion, to prepare, file, prosecute, maintain and extend patent applications and patents concerning all such Pathogenics Patent Rights in the United States and any foreign country that Pathogenics chooses in its sole discretion, for which Acuity shall bear the costs relating to such activities. If Pathogenics licenses any of the Pathogenics Patent Rights to a Third Party for use outside the Field-of-Use, then Acuity shall be reimbursed or credited a pro-rata portion (i.e., in the event there is one other Third Party licensee - Acuity receives 50% reimbursement; two Third Party licensee's - Acuity receives 67% reimbursement,

etc.) of all patent prosecution and maintenance costs. Pathogenics patent attorney shall be involved in the preparation and prosecution of patent applications concerning Pathogenics Patent Rights. Acuity shall solicit Pathogenics' advice and review of the nature and text of any such patent applications in reasonably sufficient time prior to filing thereof, and Pathogenics shall take into account Acuity's reasonable comments related thereto. Pathogenics and Acuity shall treat all information disclosed to it under this Section 5.1 as Confidential Information (as herein defined).

(b) If Acuity elects not to file, prosecute or maintain any Pathogenics Patent Rights or any ensuing Patents or claims encompassed by any Pathogenics Patent Rights in the United States or any foreign country, Acuity shall give Pathogenics notice thereof within a reasonable period prior to allowing such patent applications or Patents or such claims encompassed by such patent applications or Patents to lapse or become abandoned or unenforceable, and Pathogenics shall thereafter have the right, at its sole expense, to prepare, file, prosecute and maintain patent applications and patents or divisional applications related to such claims encompassed by such patent applications or patents concerning all such inventions and discoveries in countries of its choice throughout the world. Thereafter, Acuity's license grant per Section 2.1 and all other license rights and royalty obligations under this Agreement related to that Pathogenics Patent Right in such country (and only in such country) shall terminate and such patent or patent application in such country shall no longer be deemed a part of this Agreement. The termination of license grant or other license rights shall not affect any other rights or obligations accrued by either Party prior to the effective date of such termination.

5.2. Enforcement of Pathogenics Patent Rights.

(a) In the event that a Party learns that any Pathogenics Patent Rights necessary for the development, manufacture, use and/or sale of any Licensed Product are infringed or misappropriated by activities of a Third Party in any country, or are subject to a declaratory judgment action arising from such infringement in such country, such Party shall promptly notify the other Party hereto.

(b) Pathogenics shall have the initial right (but not the obligation) to enforce such Pathogenics Patent Rights, or defend any declaratory judgment action with respect thereto, at its expense.

(c) In the event that Pathogenics fails to initiate a suit to enforce such Pathogenics Patent Rights against such a Third Party in any jurisdiction within sixty (60) days after notification of such infringement or decides that does not desire to defend such declaratory judgment action, Acuity may initiate such suit in the name of Pathogenics with regard to the applicable Pathogenics Patent Rights against such infringement or assume the defense of the declaratory judgment action, at the expense of Acuity. The Party involved in any such claim, suit or proceeding (the "**Enforcing Party**"), shall keep the other Party hereto reasonably informed of the progress of any such claim, suit or proceeding and shall allow the other Party to participate in the action at the other Party's sole cost and expense. Pathogenics and Acuity shall recover their respective actual out-of-pocket expenses, or equitable proportions thereof, associated with any litigation or settlement thereof from any recovery made by any Party. Any

remaining amounts shall be distributed between the Enforcing Party, with the Enforcing Party receiving 75% of any such net recovery and the other Party 25%.

5.3. Injunction and/or Failure to Obtain Third Party License. Without limiting any other remedy that may be available to Acuity under this Agreement, Acuity shall have the right to terminate this Agreement in its entirety or only as to the affected country, immediately upon written notice to Pathogenics if at any time during the term of this Agreement: (i) a permanent injunction is issued by a court of competent jurisdiction enjoining Acuity's sale of Licensed Products in a country, or (ii) Acuity ceases the sale of Licensed Products in a country as a result of a failure of either Party to obtain, upon commercially reasonable terms, a license (or immunity from suit) from a Third Party alleging infringement in such country.

ARTICLE VI

CONFIDENTIALITY

6.1. Confidentiality and Non-Use Obligations. (a) During the Term of this Agreement and for five (5) years thereafter without regard to the means of termination, neither Acuity nor Pathogenics shall use, for any purpose other than the purposes of this Agreement, reveal or disclose to any Third Party information and materials disclosed by the other Party (whether prior to or during the Term of this Agreement), and marked as confidential or for which the receiving Party knows or has reason to know are or contain trade secrets or other proprietary information of the other Party (the "Confidential Information") without first obtaining the written consent of the other Party.

(b) The Parties shall take all reasonable precautions to prevent the use or disclosure of such Confidential Information without first obtaining the written consent of the other Party, except (i) as may be required for securing regulatory approval, including pricing approval in the United States and any foreign country, or as may otherwise be required to be disclosed to an Agency in the United States and any foreign country; or (ii) as required in connection with any filings made by the Securities and Exchange Commission or similar non-U.S. regulatory authorities or by the disclosure policies of a major stock exchange. Each Party agrees that prior to the release or dissemination of the other Party's Confidential Information to any Affiliate or sublicensee, such Party shall cause the person to whom such Confidential Information is to be released to be bound by a confidentiality agreement providing for a level of protection of such Confidential Information at least equivalent to the terms of this Article VI.

(c) These restrictions upon disclosure and use of Confidential Information shall not apply to any specific portion of Confidential Information which:

(i) is Confidential Information that can be demonstrated by the written records of the recipient to have already been in the possession of the recipient free of any restrictions as to its use or disclosure at the time of disclosure by the other Party;

(ii) is or later becomes available to the public, as evidenced by documents which were generally published, other than by the fault of the recipient; or

(iii) is received from a Third Party having legitimate possession thereof and the independent legal right to make such disclosure and such Third Party does not place any restriction as to the use or disclosure on the recipient.

(d) Any patent applications and information therein filed or to be filed by either Party shall be deemed (i) to be Confidential Information of that Party subject to the provisions of this Article VI and (ii) to have been disclosed in confidence to the other Party.

(e) Notwithstanding the foregoing, the recipient may disclose any Confidential Information to the extent required by an order of any court or other governmental authority having competent jurisdiction, but only after the other Party is (i) notified in writing and provided with a copy of such order; and (ii) given an opportunity to prevent such disclosure or obtain reasonable protection for such Confidential Information. In any such event, the recipient shall cooperate fully with other Party in connection with obtaining any protective order or other appropriate remedy to prevent disclosure of Confidential Information.

(f) Notwithstanding the foregoing, the recipient may disclose any Confidential Information to any Agency as may be required by law or in connection with any application to test, sell or market a Licensed Product.

6.2. Press Releases and Public Announcements. Neither Party to this Agreement shall issue any press release or other publicity materials, or make any public presentation with respect to the terms or conditions of this Agreement without the prior written consent of the other Party (such consent not to be unreasonably withheld or delayed). The restrictions provided in this Section 6.2 shall not apply to disclosures deemed by the Parties in their discretion to be required by law or regulation, including as may be required in connection with any filings made with the Securities and Exchange Commission or any similar non-U.S. regulatory authority, or by the disclosure policies of the Nasdaq Stock Market, Inc.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

7.1. Legal and Governmental Compliance. Each Party shall comply with all laws, rules and regulations applicable to the activities undertaken by such Party hereunder.

7.2. Pathogenics Representations and Warranties. Pathogenics represents and warrants to Acuity that the following are true and correct as of the date hereof:

(a) Pathogenics is a Delaware corporation duly organized, validly existing, and in good standing under the laws of Delaware and has full corporate power to own its properties and conduct the business presently being conducted by it, and is duly qualified to do business in, and is in good standing under, the laws of all jurisdictions in which its activities or assets require such status, except in any case where the failure to be so qualified and in good standing would not be material.

(b) Pathogenics has full corporate right, power and authority to perform its obligations pursuant to this Agreement, and this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on

the part of Pathogenics. This Agreement has been duly and validly executed by Pathogenics. Upon execution and delivery of this Agreement, it will be the valid and binding obligation of Pathogenics, enforceable in accordance with its terms, subject to equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditor's right and remedies generally.

(c) The execution, delivery and performance of this Agreement does not, and the consummation of the transactions herein contemplated will not violate any law, rule, regulation, order, judgment or decree binding on Pathogenics, or result in a breach of any term of the certificate of incorporation or by-laws of Pathogenics or any contract, agreement or other instrument to which Pathogenics is a party, except in each case to an extent not material.

(d) Pathogenics is the sole owner of the entire right, title and interest in and to the Pathogenics Patent Rights and no other Person (including any government) has any license, claim or other right or interest in or to the Pathogenics Patent Rights as of the Effective Date.

(e) To Pathogenics' actual knowledge, the use of the Pathogenics Intellectual Property in the development, manufacture and sale of the License Products will not infringe, misappropriate or otherwise conflict with any intellectual property or other rights of any Third Party as of the Effective Date.

(f) Pathogenics is not aware of any infringement of the Pathogenics Patent Rights as of the Effective Date.

(g) There are no judicial, arbitral, regulatory or administrative proceedings or investigations, claims, actions or suits relating to the Pathogenics Patent Rights pending against or, to Pathogenics' knowledge, threatened against Pathogenics or its Affiliates in any court or by or before any governmental body or agency in the United States or any foreign country.

7.3. Representations and Warranties of Acuity. Acuity represents and warrants to Pathogenics that the following are true and correct as of the date hereof:

(a) Acuity is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power to own its properties and conduct the business presently being conducted by it, and is duly qualified to do business in, and is in good standing under, the laws of all states in which its activities or assets require such status, except in any case where the failure to be so qualified and in good standing would not be material.

(b) Acuity has full corporate right, power and authority to perform its obligations pursuant to this Agreement, and this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Acuity. This Agreement has been duly and validly executed by Acuity. Upon execution and delivery of this Agreement, it will be the valid and binding obligation of Acuity enforceable in accordance with its terms, subject to equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditor's rights and remedies generally.

(c) The execution, delivery and performance of this Agreement does not, and the consummation of the transactions therein contemplated will not violate any law, rule, regulation, order, judgment or decree binding on Acuity or result in a breach of any term of the certificate of incorporation or by-laws of Acuity or any contract, agreement or other instrument to which Acuity is a party, except in each case to an extent not material. No authorization is required by Acuity for the execution, delivery, or performance of this Agreement by Acuity, except in each case to an extent not material.

7.4. Limitation on Warranties. Except as expressly provided in this Agreement, neither Party makes any representation or warranty to the other, whether express or implied, either in fact or by operation of law, by statute or otherwise, and both Parties specifically disclaim any and all implied or statutory warranties, including, without limitation, any warranty of merchantability or warranty of fitness for a particular purpose. In addition, each Party understands and agrees that neither Party warrants or commits that Licensed Products will be successfully developed, be submitted for applicable regulatory approval, receive applicable regulatory approval or be successfully marketed or commercialized. Without limiting the indemnity obligations set forth in Article XII for the items described therein, neither Party shall have liability or responsibility to the other Party for any such failure in the research and development, Agency approval, manufacturing, marketing or sales efforts, except to the extent such failure results from the Party's willful misconduct or gross negligence.

ARTICLE VIII

INDEMNIFICATION

8.1. Indemnification.

(a) *Acuity Indemnification*. Acuity agrees to indemnify and hold forever harmless Pathogenics and its Affiliates and each of their agents, directors, officers and employees from and against any loss, damage, action, proceeding, expense, liability, physical or emotional injury or death, or loss of service or consortium, including reasonable attorney's fees ("Loss") arising from or in connection with (i) the research, development, manufacture, use, offer for sale, sale or importation by Acuity or its Affiliates of Licensed, except for any Loss for which Pathogenics has agreed to indemnify Acuity pursuant to Section 9.1(b) below; (ii) the breach or inaccuracy of any representations, warranties or covenants made by Acuity in this Agreement; and (iii) the gross negligence or willful misconduct of Acuity or its Affiliates or any of their agents, directors officers or employees.

(b) *Pathogenics Indemnification*. Pathogenics agrees to indemnify and hold forever harmless Acuity and its Affiliates and each of their agents, directors, officers, and employees from and against any Loss arising from or in connection with: (i) Pathogenics' or its Affiliates' research and development activities in connection with any pharmaceutical product or the activities of any Pathogenics personnel in connection with the research, development, manufacture, use, sale, storage or handling of pharmaceutical products, except for any Loss for which Acuity has agreed to indemnify Pathogenics pursuant to Section 9.1(a) above; and (ii) the breach or inaccuracy of any representations, warranties or covenants made by Pathogenics in this Agreement, (iii) the gross negligence or willful misconduct of Pathogenics or its Affiliates or any of their agents, directors, officers or employees.

8.2. Procedure. A Party seeking indemnity hereunder (an "**Indemnified Party**") shall promptly notify the other Party (the "**Indemnifying Party**") upon being notified or otherwise made aware of a suit, action or claim; provided that failure to provide such notice shall not affect the obligation of the Indemnifying Party to indemnify except to the extent that the Indemnifying Party is materially prejudiced thereby. The Indemnifying Party shall defend and control any proceedings, and the Indemnified Party shall be permitted to participate at its own expense, unless there shall be a conflict of interest which would prevent representation by joint counsel, in which event the Indemnifying Party shall pay for the Indemnified Party's separate counsel pursuant to Section 11.1 above. The Indemnifying Party may not settle the suit or otherwise consent to any judgment in such suit without the written consent of the Indemnified Party (such consent not to be unreasonably withheld or delayed). The Parties shall cooperate in the defense of any Third Party claim.

8.3. Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES OR EXPENSES, INCLUDING DAMAGES FOR LOST PROFITS, LOSS OF OPPORTUNITY OR USE OF ANY KIND, SUFFERED BY THE OTHER PARTY, WHETHER IN CONTRACT, TORT OR OTHERWISE.

ARTICLE IX

TERM; TERMINATION

9.1. Term. This Agreement shall take effect as of the date hereof and upon the receipt of the License Fee by Pathogenics and shall continue in effect for shorter of (a) 20 years, or (b) the last to expire of the Pathogenics Patent Rights, unless earlier terminated in accordance with the provisions of this Article IX (such date being referred to as the "**Termination Date**").

9.2. Termination of Agreement. This Agreement may be terminated:

(a) By Acuity at any for any reason whatsoever. Prior to exercising this termination right, Acuity shall (i) cease making, having made, using and selling any Licensed Products, (ii) revoke all sublicenses causing all sublicensees to cease making, having made, using and selling Licensed Products; and (ii) give notice to Pathogenics of such cessation and of Acuity's election to terminate. Acuity will be required to pay all payments provided in Article IV which have been earned up and though such date that Acuity provides notice of its termination.

(b) By mutual written consent of each of Pathogenics and Acuity; or

(c) By either Acuity or Pathogenics, upon written notice to the other Party if (i) the other Party shall have been dissolved, ceased active business operations or liquidated, unless such dissolution, cessation or liquidation results from reorganization, acquisition, merger or similar event, or (ii) bankruptcy or insolvency proceedings, including any proceeding under Title 11 of the U.S. Code, have been brought by or against the other Party and, in the event such a proceeding has been brought against the other Party, remains undismissed for a period of sixty (60) days, or an assignment has been made for the benefit of such Party's creditors or a receiver of such Party's assets has been appointed (a "**Bankruptcy Event**"); or

(d) By either Acuity or Pathogenics, upon ninety (90) days prior written notice, if the other Party is in material default, and fails to cure such breach within ninety (90) days following receipt of written notice from the non-breaching Party specifying the breach to be cured.

9.3. Surviving Rights. Termination of this Agreement for any reason shall be without prejudice to:

(a) The rights and obligations of the parties provided in Articles VI and VIII hereof, and the representations and warranties provided in Article VII, all of which shall survive such termination;

(b) Any other rights, obligations or liabilities which shall have accrued to the benefit of either Party prior to such termination (including without limitation Acuity's obligation to pay all milestone and royalty payments which shall have accrued hereunder up to and including the effective date of such termination), all of which shall survive such termination; and

(c) Any other rights of remedies provided at law or in equity which either party may otherwise have against the other.

ARTICLE X

MISCELLANEOUS

10.1. Force Majeure. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or loss on account of failure of performance by the defaulting Party if the failure is occasioned by government action, war, fire, explosion, flood, strike, lockout, embargo, act of God, or any other similar cause beyond the reasonable control of the defaulting Party, provided that the Party claiming force majeure has exerted all reasonable efforts to avoid or remedy such force majeure and given prompt notice to the other Party.

10.2. Notices. All notices, requests, consents, and other communications under this Agreement shall be in writing and shall be delivered by hand, sent via overnight courier, sent by facsimile, or mailed by first class certified or registered mail, return receipt requested, postage prepaid:

If to Acuity: to

Acuity Pharmaceuticals, Inc.
3701 Market Street
Philadelphia, PA, 19104
Attn: Dale R. Pfost, Ph.D.

With a copy to:

Pepper Hamilton LLP
3000 Two Logan Square
Philadelphia, PA 19103
Attn: Ilan Katz

If to Pathogenics: to

Pathogenics, Inc.
99 Derby Street, Suite 200
Hingham, MA 02043
Attn: Frederic P. Zotos, Esq.

or to such other person or entity or at such other address as any party shall designate by notice to the other in accordance herewith.

Notices provided in accordance with this Section 10.2 shall be deemed delivered (i) upon personal delivery with signature required, (ii) one Business Day after they have been sent to the recipient by reputable overnight courier service (charges prepaid and signature required) (iii) upon confirmation, answer back received, of successful transmission of a facsimile message containing such notice if sent between 9:00 a.m. and 5:00 p.m., local time of the recipient, on any Business Day, and as of 9:00 a.m. local time of the recipient on the next Business Day if sent at any other time, or (iv) three Business Days after deposit in the mail. The term "Business Day" as used in this Section 10.2 shall mean any day other than Saturday, Sunday or a day on which banking institutions are not required to be open in the State of Delaware.

10.3. Governing Law; Dispute Resolution.

(a) This Agreement shall be governed by the laws of the State of Delaware, as such laws are applied to contracts entered into and to be performed within such state, as though made and to be fully performed therein without regard to conflicts of law principles thereof. The Parties agree to submit to the personal jurisdiction in any Federal or State court of competent jurisdiction seated in the State of Delaware, and waive any objection as to venue or inconvenience of forum.

(b) The Parties shall initially attempt in good faith to resolve any significant controversy, claim, allegation of a Default or dispute arising out of or relating to this Agreement (hereinafter collectively referred to as a "Dispute") through negotiations between senior executives of Acuity and Pathogenics. If the Dispute is not resolved within thirty (30) days (or such other period of time mutually agreed upon by the Parties) of notice of the Dispute, then the Parties agree to submit the Dispute to non-binding mediation on terms and procedures to be mutually agreed to for a period of ninety (90) days. Any mediation proceedings shall be treated as settlement discussions and therefore shall be confidential, and no mediator may testify for either Party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings. Each Party shall bear its own costs and expenses of mediation, and the Parties shall share equally the fees and expenses of the mediator.

(c) If the Dispute is not resolved through negotiations or mediation as set forth above, then either Party may commence litigation; provided, that this Section 10.3 shall not be construed to prevent a Party from seeking injunctive relief without observing the requirements of Section 10.3(b).

10.4. Non-waiver of Rights. Except as specifically provided for herein, the waiver from time to time by any of the Parties of any of their rights or their failure to exercise any remedy shall not operate or be construed as a continuing waiver of same or of any other of such Party's rights or remedies provided in this Agreement.

10.5. No Agency. Neither Party shall by virtue of this Agreement have any power to bind the other to any obligation nor shall this Agreement create any relationship of agency, partnership or joint venture.

10.6. Severability. If any term, covenant, or condition of this Agreement or the application thereof to any Party or circumstance shall, to any extent, be held to be invalid or unenforceable, then (i) subject to clause (ii) of this Section 13.6 the remainder of this Agreement, or the application of such term, covenant or condition other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant, or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law and (ii) the Parties hereto covenant and agree to renegotiate any such term, covenant, or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant, or condition of this Agreement or the application thereof that is invalid or unenforceable.

10.7. Entire Agreement. This Agreement, including the exhibits and schedules hereto as in effect from time to time pursuant to the terms hereof, sets forth all the covenants, promises, agreements, warranties, representations, conditions, and understandings between the Parties hereto in the scope of the collaboration, and supersedes and terminates all prior agreements and understanding between the parties under this Agreement. No subsequent alteration, amendment, change, or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

10.8. Assignment. No Party shall, without the prior written consent (not to be unreasonably withheld or delayed) of the other Party having been obtained, assign or transfer this Agreement to any Third Party, provided, however, that any Party may assign or transfer this Agreement to any Affiliate, provided that the assigning Party shall guarantee the performance of that Affiliate, or to any successor by merger of such Party, or to the Purchaser of all or substantially all of such assets of its business, without the prior written consent of the other Party hereto. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their successors and permitted assigns.

10.9. Facsimile Execution. This Agreement may be executed in facsimile counterparts each of which is hereby agreed to have the legal binding effect of an original signature. The Parties hereto agree to forward the original signatures by overnight mail to the other Party upon execution.

10.10. License Survival During Bankruptcy. All rights and licenses granted under or pursuant to this Agreement to the Pathogenics Intellectual Property are, and shall otherwise be deemed to be, for purposes of Paragraph 365(n) of the U.S. Bankruptcy Code, licenses of rights to "Intellectual Property" as defined under Paragraph 101(35A) of the U.S. Bankruptcy Code. The parties agree that Acuity, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code, subject to performance by Acuity of its obligations under this Agreement. The parties further agree that, in the event Pathogenics elects to terminate this Agreement because of a Bankruptcy Event and Acuity elects to continue the licenses under this Agreement as contemplated by the preceding sentence, then Acuity shall be entitled, upon reasonable request, to have access, in confidence, to such of Pathogenics Intellectual Property not already in Acuity's possession, as shall be reasonably necessary to make use of the license rights under this Agreement without participation by Pathogenics.

****

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first indicated above.

ACUITY PHARMACEUTICALS, INC.

By: /s/ Dale R. Pfost
Name: Dale R. Pfost
Title: President and Chief Executive Officer

PATHOGENICS, INC.

By: /s/ Frederic P. Zotos
Name: Frederic P. Zotos
Title: President and Chief Executive Officer

EXHIBIT A

PATHOGENICS PATENT RIGHTS

1	DE 102005023198.5; Filing Date: May 14, 2005; entitled "Aqueous solutions containing chloramine which are free from di- and trichloroamine, as well as from ammonia."
2	DE 102005038992.9; Filing Date: August, 16, 2005; entitled "Substance against protozoa and its application."

EXHIBIT 99.2

FREDERIC P. ZOTOS

1623 Avalon Drive
Hull, MA 02045

Tel: (781) 925-0780 Fax: (781) 925 - 8665 Mobile: (781) 267-3667 E-Mail: fzotos@pathogenics.com

January 1, 2006

William L. Sklar, Director
Michael L. Ferrari, Director
Pathogenics, Inc.
99 Derby Street
Suite 200
Hingham, MA 02043
United States

Re: Salary deferral and accrual for the period September 30th - December 31st, 2005

Dear Bill and Mike:

This letter constitutes my written notification to the Company and you its acting board of directors to defer and accrue my salary for the Company's fourth quarterly fiscal period September 30th - December 31st, 2005 in accordance with the terms of my Employment Agreement (between Pathogenics, Inc. and Frederic P. Zotos, dated March 15, 2005, and as first amended January 1, 2006). The pertinent terms of the Employment Agreement are as follows:

> ". . . the Employee may choose to defer and accrue a portion of the Base Salary. The salary deferral and accrual shall end and Company will pay the Employee in full the deferred and accrued salary amount hereunder upon the earlier of either the Employee's own determination, the termination of employment of the Employee under the terms of this Agreement, or the expiration of the Term of this Agreement. The Employee shall receive interest on any amount of deferred and accrued salary hereunder at an annual percentage rate of ten percent (10%)." (Employment Agreement, §3(a))

This salary deferral and accrual shall end and the Company will pay me in full the deferred and accrued salary for this period when it has sufficient funds to do so, but in no event later than January 31, 2007.

Sincerely,

/s/ Frederic P. Zotos
Frederic P. Zotos, Esq.
President & CEO

EXHIBIT 99.3

FREDERIC P. ZOTOS

1623 Avalon Drive
Hull, MA 02045

Tel: (781) 925-0780 Fax: (781) 925 - 8665 Mobile: (781) 267-3667 E-Mail: fzotos@pathogenics.com

April 1, 2006

William L. Sklar, Director
Michael L. Ferrari, Director
Pathogenics, Inc.
99 Derby Street
Suite 200
Hingham, MA 02043
United States

Re: Salary deferral and accrual for the period January 1st - March 31st, 2006

Dear Bill and Mike:

This letter constitutes my written notification to the Company and you its acting board of directors to defer and accrue my salary for the Company's first quarterly fiscal period January 1st - March 31st, 2006 in accordance with the terms of my Employment Agreement (between Pathogenics, Inc. and Frederic P. Zotos, dated March 15, 2005, and as first amended January 1, 2006). The pertinent terms of the Employment Agreement are as follows:

> ". . . the Employee may choose to defer and accrue a portion of the Base Salary. The salary deferral and accrual shall end and Company will pay the Employee in full the deferred and accrued salary amount hereunder upon the earlier of either the Employee's own determination, the termination of employment of the Employee under the terms of this Agreement, or the expiration of the Term of this Agreement. The Employee shall receive interest on any amount of deferred and accrued salary hereunder at an annual percentage rate of ten percent (10%)." (Employment Agreement, §3(a))

This salary deferral and accrual shall end and the Company will pay me in full the deferred and accrued salary for this period when it has sufficient funds to do so, but in no event later than January 31, 2007.

Sincerely,

/s/ Frederic P. Zotos
Frederic P. Zotos, Esq.
President & CEO

EXHIBIT 99.4

CERTIFICATION

I, Frederic P Zotos, President, CEO, Secretary and Treasurer of Pathogenics, Inc.. certify that:

1. I have reviewed this annual report on Form 10-KSB of Pathogenics, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. As the registrant's certifying officer I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(a) and 15d-14(a)) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. As the registrant's certifying officer I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. As the registrant's certifying officer I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 27, 2006

/s/ Frederic P Zotos

Frederic P Zotos

Chief Executive Officer
President

EXHIBIT 99.5

Chief Executive Officer Certification (Section 906)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Pathogenics, Inc. (the "Company") on Form 10-KSB for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"). I, Frederic P. Zotos Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Frederic P Zotos
Frederic P Zotos
Chief Executive Officer
President

Date June 27, 2006