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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NO. 0-26078

CYTOCLONAL PHARMACEUTICS INC.
(Name of small business issuer in its charter)

<TABLE>
<S> <C>

DELAWARE 75-2402409
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)
75235
9000 HARRY HINES BOULEVARD, (Zip Code)
SUITE 621, DALLAS, TEXAS
(Address of principal executive offices)
</TABLE>

Issuer's Telephone Number, including Area Code (214) 353-2922

Securities registered under Section 12(b) of the Act:

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
N/A	N/A

</TABLE>

Securities registered under Section 12(g) of the Act:
COMMON STOCK $.01 PAR VALUE
(TITLE OF CLASS)

Indicate by check mark whether the registrant: (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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked price of such stock, as of March 27, 2001: $58,935,452.

State the number of shares outstanding of each of the issuer's classes of common stock, as of March 27, 2001: 16,150,773 shares of Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements with respect to the financial condition, results of operations and business of Cytoclonal Pharmaceutics Inc. You can find many of these statements by looking for words like "believes," "expects," "anticipates," "estimates" or similar expressions in this document or in documents incorporated by reference.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following:

- General economic downturns in the biotechnology industry which may have an adverse economic effect on biopharmaceutical companies.

- Our product candidates are in early stages of development and commercialization of these products involves the risks of failure inherent in developing products based on new technologies and the risks associated with drug development generally.

- Competitive pressures in the industry may increase significantly through industry consolidation and entry of new competitors.

- Adverse changes may occur in the securities markets.

Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by them. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this Report.

We do not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Report or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

We are a biopharmaceutical drug development company specializing in therapeutic products for human diseases with an emphasis on the treatment and prevention of cancer and infectious diseases. To date, we have been involved solely in research and development activities relating to several proprietary products and technologies that are at various stages of development. These include Paclitaxal (the active ingredient in Taxol(R), the anti-cancer agent marketed by Bristol-Myers Squibb), for which we have exclusive rights to patents on a process under development for cost-efficient production. (Taxol is currently manufactured using the bark of the Pacific Yew tree.) Further, we have two drug design platform technologies: Quantum Core Technologies(TM) (QCT(TM)) and OASIS(TM). The Quantum Core Technology(TM) is a computer-assisted drug design technology platform, primarily targeted to inhibition of proteins involved in disease. OASIS(TM) is our antisense library of reagents for regulating genes involved in disease. We also have an active pre-clinical vaccine vector program involving Mycobacterium tuberculosis, and a program to identify a new expression system for glucocerebrosidase, the enzyme defect in Gaucher's disease.

Our strategy is to focus on:

- Designing Drugs (using our Quantum Core Technology(TM)) that inhibit specific, targeted proteins;

- Designing gene-regulating antisense reagents (using our OASIS(TM) genome library);

- Continuing our collaboration with Bristol-Myers Squibb Company, Inc. pursuant to our license and research and development agreements to utilize microbial fermentation and genetic engineering to develop Paclitaxel in commercial quantities and at lower costs; and

- Seeking to establish additional partnerships, strategic alliances and technology licenses for the development, manufacturing, marketing and sales of vaccines and pharmaceuticals for cancer detection and treatment, drug resistance, infectious diseases and genetic diseases.

QUANTUM CORE TECHNOLOGY

The Company's QCT(TM) drug design program utilizes computational methods to design drugs based on the molecular structure of target proteins. QCT(TM) employs computational chemistry techniques developed by Dr. John Pople, who received the Nobel Prize in Chemistry in 1998. Dr. Pople is a Scientific Advisor to Cytoclonal.

Unlike the current industry standard (structure-based drug design), QCT(TM) is a mechanism-based drug design technique. Thus, using QCT(TM), our scientists can produce a diverse range of core low molecular weight molecules based on specific, known enzyme mechanisms. The design of mechanism-based protease regulators is built upon an understanding of target structure and chemical mechanism. The enzyme binding (selectivity) is further optimized by combinatorial chemistry approaches.

The Company's chemistry facility is being expanded to include a medicinal chemistry section, through in-house expansion and external collaborations. In April 2000, the Company added Dr. Michael James as a Scientific Advisor. He is considered one of the world leaders in x-ray crystallography, which is used to determine the structure of proteins, and is the basis for applying QCT(TM). Dr. James is a Professor of Biochemistry at the University of Alberta and received his Doctorate from Oxford University in England. A staff protein crystallographer has been added to meet growing needs for structural information. The Company is a founding member of two Molecular Simulations Inc. consortia focusing on functional genomics and x-ray crystallography. An in-house medicinal chemistry group has been established under the advisement of Dr. Andrew S. Kende. Dr. Kende, CF Houghton Professor of Chemistry at the University of Rochester, Associate Editor of the Journal of Organic Chemistry, and a member of the Editorial Advisory Board of the Journal of the American Chemical Society has been a scientific advisor to the Company since 1999 and is

expanding his role with the Company. The Company has increased capabilities for enzyme production and expanded its assay facilities.

Therapeutic targets that we are presently addressing include, among other indications, the caspase proteins, which are implicated in Parkinson's Disease, Alzheimer's, Huntington's Disease, acute brain trauma, and congestive heart failure. Caspases are a gene family of cysteine proteases involved in regulated cell death (apoptosis). Our prior work on cysteine proteases (3C protease) provided a foundation for attacking the caspase project with mechanism based QCT(TM). This resulted in finding a number of active compounds in a relatively short period of time.

The Company has also developed several lead compounds to inhibit Rhinoviruses, the most frequent cause of the common cold. The compounds inhibit 3C protease and were designed for broad antiviral activity, low toxicity and reduced resistance. The lead molecules have been shown to provide protection of human cells in culture against several types of Rhinovirus. One class of compound showed minimum toxicity in animal studies. Unlike other viral protein targets, such as viral coat proteins, the 3C protease is common to all the Rhinoviruses and other viruses such as hepatitis A, poliovirus and viruses that cause meningitis.

The company has also recently announced the exclusive licensing of a technology for potentially treating bacterial drug resistance, one of the major challenges in medicine today. Researchers at the University of British Columbia and the University of California, San Diego have identified an enzyme called amidase, which modifies and inactivates antibiotics, rendering them ineffective. Inhibition of the amidase enzyme, which has been identified in M. tuberculosis, could potentially prevent the inactivation of antibiotics used to treat this

disease, and potentially prolong the usefulness of some antibiotics that cannot now be used due to drug resistance. Inhibitors of the amidase are under development using both the QCT(TM) and Oasis(TM)technologies.

OASIS(TM) ANTISENSE THERAPEUTICS PROGRAM

OASIS(TM) is a patented technology to create optimized antisense inhibitors (reagents) to genes based on their sequence and other properties. Antisense drugs are DNA sequences that bind to the single strand messenger RNA found in a cell, thus preventing protein production. Inhibitors of genes involved in disease, such as cancer, have potential for development into therapeutic drugs. Furthermore, gene inhibition is a tool for determining gene function, and to validate drug targets for small molecule drug development. The Oasis technology was developed under the direction of Dr. Donald Gray, Professor of Molecular and Cell Biology at the University of Texas, pursuant to research sponsored by Cytoclonal. Cytoclonal has exclusive worldwide rights to the technology. Cytoclonal's gene inhibitors are unique because, we believe, they are more effective than standard antisense reagents at inhibiting gene function.

We have established a library of reagents that are being designed to regulate genes that have been discovered by the Human Genome Project. The collection of antisense reagents has the potential of regulating genes involved in various diseases. Cytoclonal has recently announced the creation of an OASIS(TM) library of inhibitors to all the genes of the M. tuberculosis bacterium, the causative agent of tuberculosis. Cytoclonal is undertaking to expand the OASIS(TM) library to include inhibitors to most of the human genes, focusing on those involved in human disease. This past year Cytoclonal announced the development of antisense inhibitors for the human cancer-related genes PKC-alpha, c-RAF and BCL-2. OASIS(TM) could possibly serve as a source of therapeutic drugs for those diseases that are related to specific genes. OASIS(TM) also serves as a source of reagents for gene function confirmation. Currently, Cytoclonal has developed a library of inhibitors for 8,000 human genes or approximately 25% of known genes based on recent estimates.

The OASIS(TM) technology complements Cytoclonal's drug design technology, QCT(TM), which targets proteins. By targeting two key aspects that relate to components of the human genome, namely genes and proteins. Cytoclonal offers licensing opportunities to pharmaceutical and biotechnology companies for select OASIS(TM) and QCT(TM) lead compounds.

PACLITAXEL PROGRAM

Paclitaxel is the active ingredient in Bristol-Myers Squibb's ("BMS") cancer drug, Taxol(R), a product generating worldwide annual sales in excess of $1.7 billion. Taxol(R) is quite expensive to manufacture since it is derived from a hard-to-obtain natural product: the bark of the Pacific Yew tree. Cytoclonal has obtained (from Montana State University) an exclusive, worldwide license to use patented fungal technology to synthesize Paclitaxel. We obtained a separate exclusive worldwide license from Washington State University to use gene-based technology to synthesize Paclitaxel. Thus, the primary goal of Cytoclonal's Paclitaxel Program is to establish a cost-effective microbial production system for Paclitaxel using genetic engineering and fermentation. The licenses from both MSU and WSU cover families of patents giving rather broad protection to the Company's technology. The Company has both a license agreement as well as a research and development agreement with BMS with respect to its Paclitaxel program. Pursuant to the license agreement, we granted BMS exclusive sublicenses to our agreements with MSU and WSU. Our research and development agreement with BMS contemplates a program directed toward microbial fermentation and genetic engineering technologies for the production of Paclitaxel and other taxanes. In addition, a genetically engineered production system for Paclitaxel could potentially be used to make an improved second generation Paclitaxel, which may be useful for treatment of the chronic disease, Polycystic Kidney Disease (PKD). Cytoclonal has exclusive rights to patents from UCLA for treatment of PKD with Paclitaxel or related compounds.

OTHER PROGRAMS

We are pursuing other programs at modest levels, which may serve as platforms for the development of future products or alternatives to such primary programs.

Vaccine Program

The main objective of our vaccine program is to develop genetically engineered live vaccines for diseases that are life threatening. Our current strategy consists of identifying bacterial host strains that are best suited for delivering recombinant immunogens and cancer markers; developing proprietary cloning and expression vectors that can transfer, maintain and express recombinant immunogens and cancer markers in the delivery system; and cloning genes for specific immunogens or cancer markers into the vectors and testing the vaccine system in appropriate animal models.

Gaucher's Disease

We have completed the work the Company has been doing to identify a new expression system for the enzyme defective in Gaucher's disease, Glucocerebrosidase. We will explore licensing the Company's technology to companies active in this field. Gaucher's disease is a genetic disease resulting in a defective enzyme leading to multi-organ dysfunction. This disease affects 20,000 patients worldwide. Treatment for Gaucher's disease involves delivery of an active enzyme to the patient. The worldwide market for this treatment is about $500 million annually. The current method of producing the active enzyme is costly and has resulted in a very high cost for the patient.

COLLABORATIVE AND LICENSE AGREEMENTS

In June 1998, we entered into a license agreement and a research and development agreement with Bristol-Myers Squibb. Pursuant to the license agreement, we granted Bristol-Myers Squibb exclusive world-wide sublicenses under our agreements with the Research & Development Institute at Montana State University and the Washington State University Research Foundation. Bristol-Myers Squibb has the world-wide exclusive right to utilize the technology licensed to us by the Research & Development Institute at Montana State University to produce, have made and/or sell Paclitaxel, which is to be commercialized as Taxol(R), and other taxanes and compounds. Also pursuant to the license agreement, Bristol-Myers Squibb has the world-wide exclusive right to practice the technology licensed to us by the Washington State University Research Foundation to make, have made, use, lease and sell the products covered in our agreement with The

Washington State University Research foundation. The term of the license agreement runs, subject to earlier termination in certain circumstances, as to each product in each country of the territory until the later of ten (10) years from the first commercial sale of a product or such time as the making, use or sale at the time by Bristol-Myers Squibb, its affiliates or sublicensees in such country of such product would not infringe any U.S. or foreign patents or patent applications.

Bristol-Myers Squibb has the right to terminate the license agreement, effective upon 90 days notice, in which event Bristol-Myers Squibb's sublicenses would also terminate. However, any payment obligations of Bristol-Myers Squibb to us would survive such termination.

In addition, pursuant to our license agreement with Bristol-Myers Squibb, Bristol-Myers Squibb has the right of first negotiation during the term of the license agreement to obtain from us an exclusive, worldwide right to license or sublicense to all or a part of any technology involving microbial production of Taxol(R) or related taxanes not covered in the license agreement described above. The license agreement provides for royalty and milestone payments.

The research and development agreement between us and Bristol-Myers Squibb, which is renewable by Bristol-Myers Squibb for successive one-year periods provided that the license agreement remains in effect at the time, contemplates a program directed toward developing technologies for the production of Paclitaxel and other taxanes and potentially new anticancer products from microorganisms. Effective December 21, 2000, BMS renewed the research and development agreement for an additional 24 months, which was deemed to have commenced on June 13, 2000 and which shall end on June 12, 2002.

In June 1993, we entered a license agreement with the Research & Development Institute, a non-profit entity that manages the intellectual property of Montana State University. Pursuant to this agreement, we were

granted worldwide exclusive rights to microbial technology to produce Paclitaxel. We are obligated to pay the Research & Development Institute royalties on sales of products using the technology and a percentage of royalties paid to us by sublicensees of the technology.

In July 1996, we entered into an agreement with the Washington State University Research Foundation whereby we received an exclusive, world-wide license to use or sublicense the foundation's technology for gene-based synthesis of paclitaxel.

In December 1998, we obtained an exclusive license to technology for the fungal production of Telomerase, the so-called "immortality enzyme," from the Research & Development Institute at Montana State University for a term based on the useful life of the pending patent or related patents. In September 2000, we obtained an exclusive license for gene technology for telomerase reverse transcriptase from RDI.

In February 1996, we entered into two license agreements with University of California, Los Angeles ("UCLA") the first for exclusive rights to a pending patent entitled, "Inhibition of Cyst Formation By Cytoskeletal Specific Drugs," that makes use of various drugs, one of which is Paclitaxel; and the second for exclusive rights to technology in the field of pharmacological treatment for Polycystic Kidney Disease.

In June 2000, we entered into an exclusive world-wide license agreement with the University of California, San Diego and the University of British Columbia to use or sublicense patent rights disclosed in a pending U.S. patent titled "A New Anti-tuberculosis Drug Target." Pursuant to the agreement, we paid a license issue fee and we are obligated to pay license maintenance fees, milestone and royalties payments. In June 2000 we agreed to a three-year collaborative research agreement with the University of British Columbia and Vancouver Hospital to fund research under the direction of Dr. Yossef Av-Gay of the Department of Medicine at the University of British Columbia. In August 2000, we entered into a three-year collaborative research agreement with The Regents of the University of California to fund research performed under the direction of Dr. Robert Fahey of the Department of Chemistry and Biochemistry at the University of California, San Diego.

In June 1992, we entered into an agreement with the University of Texas at Dallas, which has been amended, pursuant to which the University is to perform certain research and development activities relating

to antisense compounds and related technology for use in humans. The agreement has been extended through August 31, 2001 in consideration for our agreement to increase the original funding commitment.

In June 1996, we entered into a patent license agreement with the board of regents of the University of Texas whereby we have an exclusive royalty-bearing license to manufacture, have manufactured, use, sell and sublicense products related to a U.S. patent application entitled, "A Method for Ranking Sequences to Select Target Sequence Zones of Nucleus Acids." The OASIS(TM) technology has identified optimum regions within genes to bind antisense products. Antisense products are under development to control genes involved in human diseases such as cancer, diabetes, or AIDS. This discovery potentially has broad applications to many human and viral genes involved in human disease. We are required to pay royalty and sublicensing fees. The agreement expires on the later of 20 years or the expiration of patent rights. However, the agreement will terminate automatically if we fail to make all required payments or to timely cure any default.

PATENTS, LICENSES AND PROPRIETARY RIGHTS

We own and have rights to 18 U.S. patents and several U.S. patent applications and 6 foreign patents and several foreign patent applications.

Our policy is to protect our technology by, among other things, filing patent applications for technology we consider important in the development of our business. In addition to filing patent applications in the United States, we have filed and intend to file, patent applications in foreign countries on a selective basis. Although a patent has a statutory presumption of validity in the United States, the issuance of a patent is not conclusive as to such

validity or as to the enforceable scope of the claims of the patent. There can be no assurance that our issued patents or any patents subsequently issued to us, or licensed by us, will not be successfully challenged in the future. The validity or enforceability of a patent after its issuance by the Patent and Trademark Office can be challenged in litigation. If the outcome of the litigation is adverse to the owner of the patent, third parties may then be able to use the invention covered by the patent, in some cases without payment. There can be no assurance that patents in which we have rights will not be infringed or successfully avoided through design innovation.

There can be no assurance that patent applications owned by us or licensed to us will result in patents being issued or that the patents will afford protection against competitors with similar technology. It is also possible that third parties may obtain patent or other proprietary rights that may be needed by us. In cases where third parties are first to invent a particular product or technology, it is possible that those parties will obtain patents that will be sufficiently broad so as to prevent us from using certain technology or from further developing or commercializing certain products. If licenses from third parties are necessary but cannot be obtained, commercialization of the related products would be delayed or prevented. We are aware of patent applications and issued patents belonging to competitors but we are uncertain whether any of these, or patent applications filed of which we may not have any knowledge, will require us to alter our potential products or processes, pay licensing fees or cease certain activities.

We also rely on unpatented technology as well as trade secrets and information. No assurance can be given that others will not independently develop substantially equivalent information and techniques or otherwise gain access to our technology or disclose such technology, or that we can effectively protect our rights in such unpatented technology, trade secrets and information. We require each of our employees to execute a confidentiality agreement at the commencement of their employment with us. The agreements generally provide that all inventions conceived by the individual in the course of employment or in the providing of services to us and all confidential information developed by, or made known to, the individual during the term of the relationship shall be our exclusive property and shall be kept confidential and not disclosed to third parties except in limited specified circumstances. There can be no assurance, however, that these agreements will provide us with meaningful protection in the event of unauthorized use or disclosure of such confidential information.

COMPETITION

All of our proposed products will face competition from existing therapies. The development by others of novel treatment methods for those indications for which we are developing compounds could render our compounds non-competitive or obsolete. This competition potentially includes all of the pharmaceutical concerns in the world that are developing pharmaceuticals for the diagnosis and treatment of cancer. Competition in pharmaceuticals is generally based on performance characteristics as well as price and timing of market introduction of competitive products. Acceptance by hospitals, physicians and patients is crucial to the success of a product. Price competition may become increasingly important as a result of an increased focus by insurers and regulators on the containment of health care costs. In addition, the various federal and state agencies have enacted regulations requiring rebates of a portion of the purchase price of many pharmaceutical products.

Most of our existing or potential competitors have substantially greater financial, technical and human resources than us and may be better equipped to develop, manufacture and market products. In addition, many of these companies have extensive experience in pre-clinical testing, human clinical trials and the regulatory approval process. These companies may develop and introduce products and processes competitive with, or superior to ours.

Our competition also will be determined in part by the potential indications for which our compounds are developed. For certain potential products, an important factor in competition may be the timing of market introduction of its own or competitive products. Accordingly, the relative speed with which we can develop products, complete the clinical trials and regulatory approval processes and supply commercial quantities of the products to the market are expected to be important competitive factors. We expect that competition among products approved for sale will be based on, among other

things, product efficacy, safety, reliability, availability, price and patent position.

Our competitive position also depends upon our ability to attract and retain qualified personnel, obtain patent protection or otherwise develop proprietary products or processes and secure sufficient capital resources for the often lengthy period between technological conception and commercial sales.

GOVERNMENT REGULATION

The production and marketing of our products and our research and development activities are subject to regulation for safety and efficacy by numerous governmental authorities in the United States and other countries. In the United States, drugs and pharmaceutical products are subject to rigorous review by the Food & Drug Administration. The Federal Food, Drug, and Cosmetic Act; the Public Health Service Act and other federal statutes and regulations govern or influence the testing, manufacture, safety, labeling, storage, record keeping, approval, advertising and promotion of such products. Non-compliance with applicable requirements can result in fines, recall or seizure of products, total or partial suspension of production, refusal of the government to approve product license applications or allow us to enter into supply contracts and criminal prosecution. The FDA also has the authority to revoke product licenses and establishment licenses previously granted.

In order to obtain approval of a new product from the Food & Drug Administration, we must submit proof of safety, purity, potency and efficacy. In most cases, such proof entails extensive pre-clinical, clinical and laboratory tests. The testing preparation of necessary applications and processing of those applications by the FDA is expensive and may take several years to complete. There is no assurance that the FDA will act favorably or quickly in making such reviews, and we may encounter significant difficulties or costs in our efforts to obtain FDA approvals that could delay or preclude us from marketing any products it may develop. The FDA may also require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any approvals that could restrict the commercial applications of such products. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. With respect to patented products or technologies, delays imposed by the governmental approval process may materially reduce the period during which we will have the exclusive right to exploit them.

The time period between when a promising new compound is identified and when human testing is initiated is generally referred to as the pre-clinical development period. During this time, a manufacturing process is identified and developed to be capable of producing the compound in an adequately pure and well-characterized form for human use. Production of compounds for use in humans is governed by a series of FDA regulations known as "Good Manufacturing Practices," which govern all aspects of the manufacturing process. The FDA has published a "Points to Consider" guidance document with respect to the manufacturing of monoclonal antibodies for human use.

The FDA approval process for a new and unfamiliar drug involves completion of pre-clinical studies and the submission of the results of these studies to the FDA in an investigational new drug application. Pre-clinical studies involve laboratory evaluation of product characteristics and animal studies to assess the efficacy and safety of the product. Pre-clinical studies are regulated by the FDA under a series of regulations called the "Good Laboratory Practices" regulations. Violations of these regulations can, in some cases, lead to invalidation of the studies, requiring those studies to be replicated.

Once the investigational new drug is approved, human clinical trials may be conducted. Human clinical trials are typically conducted in three sequential phases, but the phases may overlap. Phase I trials consist of testing the product in a small number of volunteers, primarily for safety at one or more doses. In Phase II, in addition to safety, the efficacy of the product is evaluated in a patient population somewhat larger than Phase I trials. Phase III trials typically involve additional testing for safety and clinical efficacy in an expanded population at geographically dispersed test sites. A clinical plan, or "protocol," accompanied by the approval of the institution participating in the trials, must be submitted to the FDA prior to commencement of each clinical trial. The FDA may order the temporary or permanent discontinuation of a clinical trial at any time.

The FDA may, during its review of a new drug application, ask for the production of additional test data. If the FDA does ultimately approve the product, it may require post-marketing testing, including potentially expensive Phase IV studies, and surveillance to monitor the safety and effectiveness of the drug. In addition, the FDA may in some circumstances impose restrictions on the use of the drug that may be difficult and expensive to administer and may seek to require prior approval of promotional materials.

The manufacturing of a biologic product must be in a facility covered by the Food & Drug Administration-approved Establishment License Application. The manufacture, holding, and distribution of both biologic and non-biologic drugs must be in compliance with GMP. Manufacturers must continue to expend time, money, and effort in the area of production and quality control and record keeping and reporting to ensure full compliance with those requirements. The labeling, advertising, and promotion of a drug or biologic product must be in compliance with FDA regulatory requirements. Failures to comply with applicable requirements relating to manufacture, distribution, or promotion can lead to the Food & Drug Administration demanding that production and shipment cease, and, in some cases, that products be recalled, or to enforcement actions that can include seizures, injunctions, and criminal prosecution. Such failures can also lead to the Food & Drug Administration withdrawal of approval to market the product.

The FDA may designate a biologic or drug as an "Orphan Drug" for a particular use, in which event the developer of the biologic or drug may request grants from the government to defray the costs of certain expenses related to the clinical testing of such drug and be entitled to a seven year marketing exclusivity period. Our ability to successfully commercialize our products may depend on the extent to which reimbursement for the cost of such products and related treatment will be available from government health administration authorities, private health insurers and other organizations. Such third-party payers are increasingly challenging the price of medical products and services. Several proposals have been made that may lead to a government-directed national health care system. Adoption of such a system could further limit reimbursement for medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved health care products, and there can be no assurance that adequate third-party coverage will be available to enable us to maintain price levels sufficient to realize an appropriate return on this investment in product development.

We are also subject to regulation by the Occupational Safety and Health Administration and the Environmental Protection Agency and to regulation under the Toxic Substances Control Act, the Resource

Conservation and Recovery Act and other regulatory statutes, and may in the future be subject to other federal, state or local regulations. Either or both of OSHA or the EPA may promulgate regulations that may affect our research and development programs. We are unable to predict whether any agency will adopt any regulation that could have a material adverse effect on our operations.

Sales of pharmaceutical products outside the United States are subject to foreign regulatory requirements that vary widely from country to country. Whether or not the Food & Drug Administration approval has been obtained, approval of a product by comparable regulatory authorities of foreign countries must be obtained prior to the commencement of marketing the product in those countries. The time required to obtain such approval may be longer or shorter than that required for the Food & Drug Administration approval.

MANUFACTURING AND MARKETING

We have not marketed pharmaceutical products. In addition, we have never manufactured any products and we do not have the resources to manufacture any products on a commercial scale. For the foreseeable future, we will be required to rely upon corporate partners or others to manufacture or market products developed by us, if any. No assurance can be given that we will be able to enter into any such arrangements on such acceptable terms, if at all.

Manufacturing. While we intend to select manufacturers that comply with regulatory standards, there can be no assurance that these manufacturers will comply with such standards, that they will give our orders the highest priority or that we will be able to find substitute manufacturers, if necessary, if our

selected manufacturers prove to be unsatisfactory. In order for us to establish a manufacturing facility, we would require substantial additional funds and would be required to hire and retain significant additional personnel and comply with the extensive regulations of the FDA applicable to such a facility. No assurance can be given that we will be able to make the transition successfully to commercial production, should we choose to do so.

Marketing. Despite our strategy to develop products for sale to concentrated markets, significant additional expenditures and management resources would be required to develop an internal sales force, and there can be no assurance that we will be successful in penetrating the markets for any products developed. For certain products under development, we may seek to enter into development and marketing agreements which grant exclusive marketing rights to our corporate partners in return for royalties to be received on sales, if any. Under certain agreements, our marketing partner may have the responsibility for all or a significant portion of the development and regulatory approval. In the event that our marketing and development partners fail to develop a marketable product or to successfully market a product, our business may be materially adversely affected. The sale of certain products outside the United States will also be dependent on the successful completion of arrangements with future partners, licensees or distributors in each territory. There can be no assurance that we will be successful in establishing any additional collaborative arrangements, or that, if established, such future partners will be successful in commercializing products.

PRODUCT LIABILITY INSURANCE

The testing, marketing and sale of human health care products entail an inherent risk of allegations of product liability, and there can be no assurance that product liability claims will not be asserted against us. We intend to obtain product liability insurance for our ongoing clinical trials. Such coverage may not be adequate as and when we develop our products. There can be no assurance that we will be able to obtain, maintain or increase our insurance coverage in the future on acceptable terms or that any claims against us will not exceed the amount of such coverage.

HUMAN RESOURCES

As of March 22, 2001 we had 34 full-time employees, 27 of whom were engaged directly in research and development activities, including 13 Ph.D.s, and seven of whom were in executive and administrative positions. Our employees are not governed by any collective bargaining agreement, and we believe that our relationship with them is good.

ITEM 2. PROPERTY.

We occupy an aggregate of approximately 24,100 square feet of both office and laboratory space in Dallas, Texas at two separate facilities. We lease approximately 4,800 square feet of office and laboratory space pursuant to a lease agreement expiring in August 2003. In addition, we occupy an additional approximate 19,300 square feet of office and laboratory space, including approximately 3,000 square feet added in 2000, pursuant to a lease assigned to us by the Wadley/Phillips Partnership and which lease term has been extended until December 2003. Our lease payments for the fiscal year ended December 31, 2000 were approximately $269,000. We believe that its current facilities are suitable for our present needs and for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS.

As of the date hereof, we are not a party to any material legal proceedings.

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

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our Common Stock has traded in the Nasdaq National Market System under the

symbol "CYPH" since May 22, 2000. Prior thereto, it was quoted in the over-the-counter market on the Nasdaq SmallCap Market System. The following table sets forth the high and low bid prices for the Common Stock as reported by the National Association of Securities Dealers, Inc. for the periods indicated. The prices set forth below represent quotes between dealers and do not include commissions, mark-ups or mark-downs, and may not necessarily represent actual transactions.

<TABLE>
<CAPTION>

	COMMON STOCK	
	HIGH	LOW
<S>	<C>	<C>
Fiscal 1999		
1st Quarter	9 9/16	6 7/8
2nd Quarter	7 1/2	6 1/16
3rd Quarter	7 1/2	5 27/32
4th Quarter	9 9/32	5 3/8
Fiscal 2000		
1st Quarter	19	7 1/16
2nd Quarter	12 1/2	4 1/8
3rd Quarter	12 11/16	7 11/16
4th Quarter	9 5/8	6 1/4
Fiscal 2001		
1st Quarter (through March 27, 2001)	8 1/4	2 21/32

</TABLE>

We believe that as of March 27, 2001, there were in excess of 1,000 beneficial holders of our Common Stock.

We have never paid cash dividends on our Common Stock and we do not anticipate paying cash dividends on our Common Stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data set forth below is derived from our audited financial statements. Such information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and with such financial statements and the notes thereto (See Item 7 and Item 8).

CYTOCLONAL PHARMACEUTICS INC.
SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA					
Revenue	$ 865,000	$ 1,375,000	$ 1,183,000	$ --	$ --
Research and development	3,681,000	2,332,000	1,692,000	1,469,000	1,576,000
General and administrative expenses	5,788,000	3,194,000	2,500,000	1,888,000	1,530,000
Operating loss	(8,604,000)	(4,151,000)	(3,009,000)	(3,357,000)	(3,106,000)
Interest expense	(9,000)	(6,000)	(5,000)	(2,000)	--
Interest income	1,543,000	222,000	286,000	107,000	216,000
Net loss before cumulative effect of a change in accounting principle	(7,165,000)	(3,935,000)	(2,728,000)	(3,252,000)	(2,890,000)
Cumulative effect on prior years	(422,000)	--	--	--	
Net loss	(7,165,000)	(4,357,000)	(2,728,000)	(3,252,000)	(2,890,000)

Basic and diluted loss per common share.....	$ (0.51)	$ (0.44)	$ (0.30)	$ (0.42)	$ (0.42)
BALANCE SHEET DATA					
Total assets.....	$37,378,000	$ 4,491,000	$ 7,746,000	$ 2,802,000	$ 3,881,000
Working capital.....	35,050,000	2,324,000	6,227,000	1,330,000	2,543,000
Royalties payable-less current portion.....	750,000	875,000	1,000,000	1,125,000	1,219,000
Shareholder's equity.....	35,775,000	2,592,000	6,062,000	1,123,000	2,312,000

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this report. This discussion contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this report the words "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Historical operating results are not necessarily indicative of the trends in operating results for any future period.

OVERVIEW

We were organized and commenced operations in September 1991. Our efforts have been principally devoted to research and development activities and organizational efforts, including the development of products for the treatment of cancer and infectious diseases, recruiting our scientific and management personnel and advisors and raising capital. As we accelerate our efforts to become a fully operational and

profitable drug design and development company, we will continue to review and refine our strategic plan. Our strong financial position provides us with the resources necessary to move forward rapidly to achieve our goals.

We have enhanced our executive management team to ensure that we have capable, experienced individuals in place to meet the increasing demands we face as the Company continues its aggressive forward plans. Ronald Lane Goode, Ph.D. has joined the Company as President and Chief Executive Officer. Dr. Goode is an accomplished pharmaceutical executive who has held key management positions at G. D. Searle & Co. and Pfizer Pharmaceuticals. He has an extensive record of success in business development, having been responsible for many of Searle's acquisitions and has supervised clinical development programs that led to the filing of over a dozen New Drug Approval applications. After his tenure at Searle, Dr. Goode was President and CEO of Unimed Pharmaceuticals, Inc. where he launched that company's first product. He positioned the company for sale to Solvay. Most recently he formed the consulting company Pharma-Links with the mission of being the "link" between pharmaceutical companies to help them create alliances, form joint ventures and effect various transactions. Dr. Goode succeeds founder Dr. Arthur P. Bollon who remains as non-executive Vice Chairman.

The Board of Directors elected Gary E. Frashier to the position as non-executive Chairman in December 2000. He has twenty-four years of successful experience as a CEO in scientific, life science and pharmaceutical research companies. In addition we have hired Dr. Robert Rousseau as Vice-President of Licensing and Business Development and Joan Gillett as Vice-President/Controller and principal accounting officer. These actions are indications of our concerted efforts to strengthen the management team and increase our focus. These individuals, along with existing corporate officers, will work together to provide the focus and accountability we believe are necessary for success.

We have added additional board members and other expertise to analyze opportunities. Robert J. Easton joined the board of directors in December 2000. Chairman and founder of Easton Associates L.L.C. a leading healthcare consulting practice, Mr. Easton previously served as Managing Director of IBM Healthcare Consulting, as well as President of the Wilkerson Group, a leading healthcare

concern. His areas of expertise include pharmaceutical, biotechnology and in vitro diagnostics.

During the past year we have increased our focus on the expansion of our two drug design platform technologies: Quantum Core Technologies(TM) (QCT(TM)) and OASIS(TM). We have strengthened and expanded our affiliations with universities and other research institutions to ensure that we obtain the most advanced scientific knowledge available. In addition, we have increased our emphasis of identifying opportunities for collaborations, strategic alliances and joint ventures with pharmaceutical and biotechnology companies for the commercial development of our products.

We have also increased the scientific staff, both in number and depth of knowledge. We have added additional physical facilities, and we will continue to provide the staff members and equipment necessary to accommodate the tasks required by our expanding QCT(TM) and OASIS(TM) technologies. We are improving our medicinal chemistry department, a function we feel is vital to our growth in drug development. We are cognizant of the importance of obtaining new as well as existing patents and intellectual property, and are developing new programs to ensure successful operations in this area.

We believe that we have a capable, focused Board and management team, promising technology and strong financial resources. During the next twelve months we plan on concentrating our efforts in the following areas:

- Designing Drugs (using our QCT(TM)) that inhibit specific, targeted proteins;

- Designing gene-regulating antisense reagents (using our OASIS(TM) genome library);

- Continuing our collaboration with Bristol-Myers Squibb Company, Inc. pursuant to our license and research and development agreements to utilize microbial fermentation and genetic engineering to develop Paclitaxel in commercial quantities and at lower costs; and

- Seeking to establish additional partnerships, strategic alliances and technology licenses for the development, manufacturing, marketing and sales of vaccines and pharmaceuticals for cancer detection and treatment, drug resistance, infectious diseases and genetic diseases.

Our actual research and development and related activities may vary significantly from current plans depending on numerous factors, including changes in the costs of such activities from current estimates, the results of our research and development programs, the results of clinical studies, the timing of regulatory submissions, technological advances, determinations as to commercial potential and the status of competitive products. The focus and direction of our operations will also be dependent upon the establishment of collaborative arrangements with other companies, the availability of financing and other factors.

RESULTS OF OPERATIONS

Revenue

We recognized revenues of $865,000, $1,375,000 and $1,183,000 for the twelve months ended December 2000, 1999, and 1998, respectively. Revenues for 2000, 1999 and 1998 were primarily attributable to license and research and development payments including those from our agreements with Bristol-Myers Squibb.

Research and Development Expenses

We incurred research and development expenses of $3,681,000, $2,332,000, and $1,692,000 for the twelve months ended December 2000, 1999, and 1998, respectively. The increase in research and development expenses in 2000 from 1999 was due to a $431,000 increase in research and development salaries due to additional scientific staff, a $566,000 increase in expenses for research consultants including a non-cash charge of $313,000 related to options granted to consultants, a $73,000 increase in contracted research and funded research and development, a $24,000 increase in rent expense due to expansion of

facilities, a $121,000 increase in depreciation expense, a $55,000 increase in contract labor expenses, a $25,000 increase in conference and seminar expenses and other expenses related to the hiring of additional research personnel including expenses for equipment and lab supplies required to support the increased activities.

The increase in research and development expenses in 1999 from 1998 was due to a $66,000 increase in laboratory supply expenses, a $54,000 increase in rent expense due to expansion of facilities, a $134,000 increase in research salaries, a $115,000 increase in funding for the research program at Washington State University, a $181,000 increase in funding for the Research & Development Institute, Inc. and $32,000 of QCT(TM) associated research activities in Israel.

We anticipate that we will incur increased research and development expenses as we move products from pre-clinical to clinical trials and as we expand our drug discovery efforts. We also expect to hire additional technical staff to aid in the fulfillment of these goals.

General and Administrative Expenses

We incurred general and administrative expenses of $5,788,000, $3,194,000, and $2,500,000 for the twelve months ended December 2000, 1999 and 1998, respectively. The increase in general and administrative expenses in 2000 from 1999 was attributable to a $2,441,000 increase in public and financial relations costs including a non-cash charge of $1,982,000 related to the value assigned to warrants granted to our financial advisors and consultants, a $39,000 increase in insurance costs, a $85,000 increase in travel and lodging expenses including relocation reimbursements, a $565,000 increase in legal and professional fees, including a $65,000 non-cash expense for the issuance of options, and other expenses related to increases in management and associated expenses resulting from the hiring of additional personnel and the expansion of our operations and other business development efforts. These expenses were partially offset by a $458,000 decrease in

expenses associated with the acquisition of QCT(TM), a $102,000 decrease in board and consulting expenses and decreases in contract labor.

The increase in general and administrative expenses in 1999 from 1998 was attributed to a $58,000 increase in travel and lodging expenses, a $37,000 increase in amortization, a $97,000 increase in consulting fees, a $30,000 increase in insurance expenses, a $40,000 increase in rent expenses, a $29,000 increase in contract labor and a non-cash charge of $356,000, relating to the valuations of common stock and options issued to third parties in connection with services rendered in identifying and securing the QCT(TM). This increase was partially offset by a $141,000 decrease in legal and professional expenses. Included in general and administrative expenses for 1999 was a non-cash charge of $262,000 related to the valuation of stock options and warrants issued to consultants.

We anticipate that we will incur increased general and administrative expenses as we expand our administrative staff to aid in our business development.

Interest Income

Interest income was $1,543,000, $222,000, and $286,000 for the twelve months ended December 2000, 1999, and 1998, respectively. The increase in interest income is due to an increase in available cash balances resulting from the receipt of proceeds from the exercise of warrants in 2000.

Net Losses

We incurred net losses of $7,165,000, $4,357,000, and $2,728,000 for the twelve months ended December 2000, 1999, and 1998, respectively. The loss in 2000 included $2,420,000 in non-cash charges related to warrants granted to our financial advisors and consultants and options and compensatory stock awards. The increase in net losses in 2000 from 1999 was attributable to increases in both research and development expenses as well as general and administrative partially offset by an increase in interest income. Net loss per common share for the twelve months ended December 2000, 1999 and 1998, respectively was $.51, $.44, and $.30.

The decrease in net losses in 1999 from 1998 was attributable to revenue received from the Bristol-Myers Squibb license and research and development agreements and an increase in interest income, partially offset by an increase in operating expenses. We expect to incur additional losses in the foreseeable future.

Liquidity and Capital Resources

At December 31, 2000, we had cash equivalents of approximately $35,408,000. Since inception we have financed our operations from debt and equity financings as well as fees received from licensing and research and development agreements. During 2000, we used cash of approximately $4,987,000 to fund our operating activities, principally caused by the net loss of $7,165,000 for the year. In addition, during 2000 we used approximately $611,000 to fund our investing activities, principally caused by the purchase of laboratory equipment, software and other equipment of approximately $407,000.

On February 7, 2000, the Company gave notice to the holders of our Class C Warrants that it was exercising its right of redemption effective March 9, 2000. We received net proceeds of approximately $13,001,000 from the exercise of 2,000,135 such warrants. On March 13, 2000 the Company gave notice to the holders of its Class D Warrants that it was exercising its right of redemption effective April 12, 2000. The Company received net proceeds of approximately $25,742,000 from the exercise of 2,941,905 such warrants. Additionally, through December 31, 2000 the Company received net proceeds of approximately $1,181,000 from the exercise of 577,071 other warrants and 148,486 options.

In January 2000 the Board of Directors approved the 2000 Employee Option Plan (the "Plan") authorizing up to 1,500,000 shares, subject to approval of the Plan by a majority of our shareholders. During the twelve-month period ending December 31, 2000 we granted 337,000 options to purchase shares of Common Stock under the Plan at exercise prices ranging from $6.75 to $10.125 per share to officers, directors, employees and consultants of the Company. On September 11, 2000 the stockholders of the Company

approved the Plan. At the time of stockholder approval, the market value of the Company's stock exceeded the exercise price of certain options noted above, consequently the Company recorded deferred compensatory charges of $130,000 equal to the spread between the exercise price of the option and the market price, times the number of options involved. The charge to operations for the twelve months ended December 31, 2000 was $60,000.

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which establishes a fair value-based method of accounting for stock-based compensation plans. The Company has adopted the disclosure-only alternative under SFAS No. 123. The Company accounts for stock based compensation to nonemployees using the fair value method in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) 96-18. The Company has recognized deferred stock compensation related to certain stock option and warrant grants. During the twelve months ended December 31, 2000 the Company granted 25,000 and 300,000 warrants to purchase shares of Common Stock at $12.00 and $15.00 per share, respectively in return for financial advisory services. The Company valued these warrants based on the Black-Scholes option pricing. In connection therewith the Company recorded a charge of $1,982,000 during the twelve months ended December 31, 2000. In connection with other option grants to consultants the Company recorded a charge of $335,000 during the twelve months ended December 31, 2000.

We have agreed to fund scientific research at academic institutions and to make minimum royalty payments for licensing and collaborative agreements of approximately $1,223,000 in 2001. We do not expect these arrangements to have a significant impact on our liquidity and capital resources. We intend to continue to maintain and develop relationships with academic institutions and to establish licensing and collaborative agreements.

We have no material capital commitments for the year ended December 31, 2001.

We believe that we have sufficient cash on hand at December 31, 2000 to

finance our operations through at least December 31, 2001. However, there can be no assurance that we will generate sufficient revenues, if any, to fund its operations after such period or that any required financings will be available, through bank borrowings, debt or equity offerings, or otherwise, on acceptable terms or at all.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The response to this item is submitted in Item 14 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The executive officers and directors of the Company are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Ronald Lane Goode, Ph.D.	57	President and Chief Executive Officer
Gary E. Frashier(2)	64	Chairman and Director
Arthur P. Bollon, Ph.D.	58	Vice Chairman and Director
Robert J. Easton(2)	57	Director
Ira J. Gelb, M.D. (1),(2)	73	Director
Irwin C. Gerson (1),(2)	71	Director
Walter M. Lovenberg, Ph.D.(1)	66	Director
Dorit Arad, Ph.D.	48	Executive Vice President of Drug Design
Joan H. Gillett, CPA	51	Vice President and Controller
Robert J. Rousseau, Ph.D.	61	Vice President of Business Development and Licensing
Daniel M. Shusterman, J.D.	37	Vice President of Administration, General Counsel and Secretary

</TABLE>

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(1) Members of Audit Committee

(2) Members of Compensation Committee

Ronald Lane Goode, Ph.D. was named President and Chief Executive Officer on March 21, 2001. Dr. Goode is an accomplished pharmaceutical executive who has held key management positions at G. D. Searle & Co. (President of Searle International, Corporate Senior Vice President and President of Asia/ Pacific World Area, and Senior Vice President of Commercial Development) and before that at Pfizer Pharmaceuticals (Director of Marketing Research and Vice President of Clinical Research and Scientific Affairs). He has an extensive record of success in business development, having been responsible for many of Searle's acquisitions, including DayPro(C), which became Searle's largest selling drug. Dr. Goode has supervised clinical development programs that led to the filing of over a dozen New Drug Approval applications, including Procardia XL(C) (which became Pfizer's leading product) and Ambien(C), which now dominates the sleep aid market for Searle. After his tenure at Searle, Dr. Goode was President and CEO of Unimed Pharmaceuticals, Inc. where he launched that company's first product. He positioned the company for sale to Solvay, the Belgium-based conglomerate, at a considerable gain to shareholders. Most recently he formed the consulting company Pharma-Links with the mission of being the "link" between pharmaceutical companies to help them create alliances, form joint ventures and effect various transactions. Dr. Goode received his Ph.D. in Microbiology from the University of Georgia.

Gary E. Frashier commenced serving as a director of the Company on June 28, 1999 and was elected to Chairman in a non-executive capacity in December 2000. Mr. Frashier serves as President and Principal of Management Associates, which provides strategic consulting services to entrepreneurial companies in the life sciences field. Mr. Frashier previously served as Chairman of the Board and Chief Executive Officer of OSI Pharmaceuticals, Inc ("OSIP"), a Nasdaq listed company from January 1997 through September 1998, and as Chairman of the Board through September 2000. He previously served as CEO and Vice-Chairman of OSIP during 1996, and as President and CEO of OSIP from March 1990 through December 1995. From March 1987 through February 1990, Mr. Frashier served as President and CEO of Genex Corporation, which specialized in protein engineering. Previously, Mr. Frashier served as Executive Vice President of Millipore Corporation, where he was also President of Waters Associates, Inc, a leader in liquid chromatography. At Millipore, Mr. Frashier also served as President, International Operations. In 1984, Mr. Frashier organized a management buy-out of Millipore's ultra high-purity and laboratory water systems business, Continental Water Systems, Inc., which was later sold to Olin Corporation. Mr. Frashier has a B.S. in chemical engineering from Texas Technological University, where he was honored in 1985 as a Distinguished Engineer

of the University. In 1970, he received his M.S. degree in Management from the Massachusetts Institute of Technology, where he was selected as a Sloan Fellow in Management. He was also selected as the "Long Island Businessman of the Year" in 1993 by the Wharton Club. He is a registered Professional Engineer in chemical engineering, a member of the society of Sloan Fellows (MIT) and a former member of the Young President's Organization. Mr. Frashier serves on the Boards of several private and public biopharmaceutical firms, including Maxim Pharmaceuticals, Inc., which is a Nasdaq-listed public company.

Arthur P. Bollon, Ph.D. Founder of the Company, currently serves as Vice Chairman in a non-executive capacity. Prior thereto he had served as Chairman of the Board of Directors, President and Chief Executive Officer from the Company's inception in 1991 and until March 1995, as Treasurer. Dr. Bollon received his Ph.D. from the Institute of Microbiology at Rutgers University and was a Post Doctoral Fellow at Yale University. Dr. Bollon has served as a consultant to a number of major companies, including Merck, Sharp & Dohme and Diamond, Shamrock, and has served on the Board of Directors and Advisory Boards of several biotechnology companies, including Viragen, Inc., Wadley Biosciences Corp. and American Bio-netics, Inc. From 1987 to 1991, Dr. Bollon served as President and Chief Executive Officer of the Wadley/Phillips Petroleum Partnership. Prior to that time, he was Director of Genetic Engineering and Chairman of the Department of Molecular Genetics at the Wadley Institutes of Molecular Medicine. In his capacities at the Wadley/Phillips Partnership and Wadley Institutes, Dr. Bollon played a leading role in bringing the technology that forms the basis of the Company from conception to reality.

Robert J. Easton, was elected to the Board of Directors in December 2000. Mr. Easton recently founded a health care consulting practice named Easton Associates LLC. Prior to this latest venture, he spent 18 years as a management consultant, most recently as Managing Director with IBM Healthcare Consulting ("IBM"). Prior to IBM, Mr. Easton served as President of the Wilkerson Group, also a health care consulting concern. Mr. Easton has executed proprietary studies in a wide variety of medical products and service fields. His areas of expertise include pharmaceuticals, biotechnology and in vitro diagnostics. Mr. Easton is a frequent speaker for medical industry and investment groups in the U.S. and Europe. He is a Director of CollaGenex Pharmaceuticals a Nasdaq listed company and two private companies, the former President of the Biomedical Marketing Association, and Special Limited Partner of Advanced Technology Ventures. Mr. Easton received an M.B.A. from Harvard Graduate School of Business Administration and undergraduate degrees in Chemical Engineering from Rice University.

Ira J. Gelb, M.D. has been a director of the Company since April 1994. Dr. Gelb received his M.D. from New York University School of Medicine in 1951. After finishing his training in cardiology at the Mount Sinai Hospital in New York City in 1957, Dr. Gelb continued his association with that institution until his retirement in 1992. During this period, he was appointed Attending Cardiologist and Associate Clinical Professor at the Mount Sinai School of Medicine. Other appointments included Adjunct Associate Clinical Professor of Cardiology at Cornell Medical School, Adjunct Clinical Professor of Cardiology

at New York Medical College, Cardiology Consultant at Lawrence Hospital, Bronxville, N.Y. and United Hospital, Portchester, N.Y. Dr. Gelb is a former President of the American Heart Association, Westchester-Putnam Chapter, and was a Senior Assistant Editor with the American Journal of Cardiology from 1968 to 1983, when he became a founding editor of the Journal of the American College of Cardiology ("JACC"). Dr. Gelb continued as a Senior Assistant Editor of JACC until his retirement in 1992. Since that time, he has served on the boards of various pharmaceutical companies. Since 1992, Dr. Gelb has been an Honorary Lecturer at The Mount Sinai School of Medicine. Dr. Gelb has also served as the Clinical Coordinator of Biomedical Programs and Professor of Chemistry & Biochemistry at Florida Atlantic University ("FAU") since 1998, an Adjunct Professor and a member of FAU's Foundation Board since October 1996 and FAU's Steering Committee since 1997. Dr. Gelb has served as a member of the Board of Directors of the American Heart Association, Boca Raton Division, since December 1996 and was appointed President in June 1999. In 1998, Boca Raton Community Hospital added Dr. Gelb as a member to its Foundation Board. In November 1998, Dr Gelb was appointed Voluntary Professor of Medicine at the University of Miami School of Medicine. At present he is Director of Clinical Programs and Clinical Professor, Biomedical Science, Charles E. Schmidt College of Science, Florida Atlantic University and in 1999 was appointed to the advisory board of Cleveland Clinic, Florida.

Irwin C. Gerson has been a director of the Company since March 1995. From 1995 until December 1998, Mr. Gerson served as Chairman of Lowe McAdams Healthcare and prior thereto had been, since 1986, Chairman and Chief Executive Officer of William Douglas McAdams, Inc., one of the largest advertising agencies in the U.S. specializing in pharmaceutical marketing and communications to healthcare professionals. In February 2000, he was inducted into the Medical Advertising Hall of Fame. Mr. Gerson has a B.S. in Pharmacy from Fordham University and an MBA from the NYU Graduate School of Business Administration. He is a director of Andrx Corporation, a Nasdaq-listed public company and Bio Sample Inc., a privately held corporation. In 1992, Mr. Gerson received an honorary Doctor of Humane Letters from the Albany College of Pharmacy. Mr. Gerson served as a Trustee of Long Island University, Chairman of The Council of Overseers -- Arnold and Marie Schwartz College of Pharmacy, member of the Board of Trustees of the Albany College of Pharmacy and, from 1967 through 1974, was a lecturer on sales management and pharmaceutical marketing at the Columbia College of Pharmacy. He is currently a director of the Lifetime Learning Society of Florida Atlantic University. Mr. Gerson also has served as a Member of the Board of Governors, American Association of Advertising Agencies, a Director and Chairman of Business Publications Audit, a Director of the Connecticut Grand Opera, and a Director of the Stamford Chamber Orchestra. Mr. Gerson previously served as a director of the foundation of Pharmacists and Corporate Americans for AIDS Education, the Pharmaceutical Advertising Council, the Nutrition Research Foundation and as a Trustee of the Chemotherapy Foundation. He was also on the boards of Penn Dixie Industries and Continental Steel Corporation.

Walter M. Lovenberg, Ph.D. has been a director of the Company since August 1995. From 1989 to 1993, Dr. Lovenberg served as Executive Vice President and member of the Board of Directors of Marion Merrell Dow Inc. Dr. Lovenberg also served as the President of the Marion Merrell Dow Research Institute from 1989 to 1993 and Vice President from 1986 through 1989. Prior to joining Marion Merrell Dow in 1958, Dr. Lovenberg was a Senior Scientist and Chief of Biochemical Pharmacology at the National Institutes of Health. Dr. Lovenberg has served as President of Lovenberg Associates, Inc. since 1993. From 1997 to 2000, Dr. Lovenberg served as Chief Executive Officer of Helicon Therapeutics Inc., a private company, and since 1992 and 1995, Dr. Lovenberg has served as a director of Xenometrix, Inc. and Chairman of the Board of Inflazyme Pharmaceutics, Ltd. (which is traded on the Toronto Exchange), respectively. Also, since 1994, Dr. Lovenberg has served as director of OSI Pharmaceuticals, Inc., a Nasdaq-listed public company. Dr. Lovenberg serves on the Scientific Advisory Board of Guilford Pharmaceuticals, Inc. a Nasdaq-listed company. Dr. Lovenberg is also a director of several private biotechnology companies. Dr. Lovenberg received a Ph.D. in Biochemistry from George Washington University in 1962 and a B.S. in Biochemistry and an M.S. in Agriculture from Rutgers University in 1958 and 1956, respectively. Dr. Lovenberg, who serves as Executive Editor of Analytical Biochemistry and Editor (USA) of Neurochemistry International, is a consulting editor to several other scientific journals. Dr. Lovenberg has been the recipient of many awards, including a Fulbright-Hays Senior Scholar Award and a Public Health Service Superior Service Award. Dr. Lovenberg is a member of the American College of Neuropsychopharmacology, the American Society of

Neurochemistry and the American Society of Biochemistry and Molecular Biology.

Dorit Arad, Ph.D. joined us as Vice President of Drug Design in January 1999 and was named Executive Vice President of Drug Design in September 1999. From 1996 until 1998, Dr. Arad served as Scientific Director at Saturi Medical Research LTD. From 1991 until 1993, Dr. Arad served as a consultant to Teva-Israel Pharmaceutical Industries. In addition, Dr. Arad has served as an instructor and lecturer at Technicon in Haifa, Israel and as a lecturer at the Tel-Aviv University. Dr. Arad is the co-author of a number of scientific articles and papers. Dr. Arad received her B.Sc., M.Sc. and D.Sc. Degrees in Chemistry from Technicon, Haifa, Israel.

Joan H. Gillett, CPA, joined us in October 2000 as Vice President, Controller and Principal Accounting Officer. From 1997 to August 2000, Ms. Gillett served as the Chief Financial Officer for International Isotopes Inc, a publicly held radiopharmaceutical development and manufacturing company, where she was responsible for all accounting, financial reporting, and investment activities. From 1986 to 1996, she held various positions for Life Savings Bank in Austin, Texas. Those positions included Director, Chief Financial Officer and President.

Robert J. Rousseau, Ph.D., joined the Company in March 2001 as Vice President of Business Development and Licensing. Dr. Rousseau served as Director of New Technologies Licensing at Hoechst Marion Roussel, Inc. and has an MBA from Rockhurst University and a Ph.D. in Chemistry from the University of Utah. He founded Rondeau Medical Associates Inc., a consulting company involved in new technology identification, development of an extensive contact network and establishment of licensing agreements for numerous biotechnology and pharmaceutical companies. Prior to Rondeau, he managed the gene transcription modulator-out licensing program for OSI Pharmaceuticals, Inc., resulting in licensing agreements with Merck, Sharp & Dohme, Pharmacia and Upjohn, Johnson & Johnson, American Home Products and Aurora Biosciences. Prior to OSI, he spent 12 years as Director of New Technologies Licensing at Hoechst Marion Roussel, Inc. where he was responsible for closing agreements with Immulogic, TransKaryotic Technologies (TKT), Albany Molecular Research and Development, Scios Nova, Gensia, Affymax, Oncogene Sciences and Alliance Pharmaceuticals. Dr. Rousseau's previous positions included both Director of Operations and Director of Marketing at Analytical Systems, Division of Marion Laboratories; Director of Clinical Chemistry Research/Director of West Coast Operations, Hyland Division of Baxter Travenol; Technical Liaison Officer, Curtis Nuclear Corporation; and Head of BioOrganic Chemistry, ICN Nucleic Acid Research Institute. Dr. Rousseau is the holder of seven patents, the author of more than 33 scientific publications and the recipient of two Presidential Awards and three Special Achievements Awards from Marion Laboratories.

Daniel M. Shusterman, J.D., M.S. was named our Vice President, Administration and General Counsel in October 2000. Prior to that he was named Vice President of Operations in 1994 and Treasurer and Chief Financial Officer in March 1995, after having served as our Director of Operations since he joined us in 1991. Mr. Shusterman received his M.S. degree with an emphasis on biotechnology from the University of Texas in 1988. He was Director of Operations at Wadley/Phillips Partnership for three years prior to joining us. Mr. Shusterman is a registered Patent Agent and received his J.D. from Texas Wesleyan University School of Law in 1993 and has been a member of the Texas bar since 1994.

Our Board of Directors currently consists of six members. All directors hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified. Officers are elected to serve, subject to the discretion of the Board of Directors, until their successors are appointed.

As of January 5, 2001, Directors receive fees of $1,500 per month and $1,500 per day per board meeting, $750 per committee meeting attended, $1,000 per board meeting conference call attended and $500 per committee meeting conference call attended. Directors are also reimbursed for expenses actually incurred in connection with their attendance at meetings of the Board of Directors. See "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation" for information regarding stock option grants.

Our Certificate of Incorporation includes certain provisions permitted

pursuant to Delaware law whereby our officers and directors are to be indemnified against certain liabilities. Our Certificate of Incorporation also limits, to the fullest extent permitted by Delaware law, a director's liability for monetary damages for breach of fiduciary duty, including gross negligence, except liability for (i) breach of the director's duty of loyalty, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) the unlawful payment of a dividend or unlawful stock purchase or redemption and (iv) any transaction from which the director derives an improper personal benefit. Delaware law does not eliminate a director's duty of care and this provision has no effect on the availability of equitable remedies such as injunction or rescission based upon a director's breach of the duty of care. In addition, we have obtained an insurance policy providing coverage for certain liabilities of our officers and directors.

We have been advised that it is the position of the SEC that insofar as the foregoing provision may be invoked to disclaim liability for damages arising under the Securities Act, such provision is against public policy as expressed in the Securities Act and is therefore unenforceable.

BOARD COMMITTEES

We have standing Audit and Compensation Committees. The Audit Committee reviews the work and reports of the Company's independent accountants. The Audit Committee is comprised of Ira J. Gelb, M.D., Irwin C. Gerson and Walter M. Lovenberg, Ph.D. The Compensation Committee makes recommendations to the Board of Directors concerning compensation arrangements for directors, executive officers, and senior management of the Company. The Compensation Committee is comprised of Gary E. Frashier, Robert J. Easton, Dr. Gelb and Mr. Gerson. The entire Board of Directors administers our stock option plans.

SCIENTIFIC ADVISORS/CONSULTANTS

The Company's Scientific Advisors have extensive experience in the fields of molecular genetics, chemistry, oncology and microbiology. At our request, the Scientific Advisors review and evaluate our research programs and advise us with respect to technical matters in fields in which we are involved.

The following table sets forth the name and current position of each scientific advisor.

<TABLE>
<CAPTION>

NAME	POSITION
<S>	<C>
Yitzhak Apeloig, Ph.D.	Professor, Department of Chemistry at the Technion-Israel Institute of Technology
Yossef Av-Gay, Ph.D.	Professor, Department of Medicine, Division of Infectious Diseases, University of British Columbia
Rodney Croteau, Ph.D.	Professor, Washington State University
Hugo David, M.D., Ph.D.	Consultant, New University of Lisbon, Institute of Hygiene and Topical Medicine
Robert C. Fahey, Ph.D.	Research Professor of Chemistry and Biochemistry, University of California, San Diego
Donald M. Gray, Ph.D.	Professor, Department of Molecular and Cell Biology, University of Texas at Dallas
Kendall N. Houk, Ph.D.	Professor, Department of Chemistry and Biochemistry, University of California, Los Angeles
Michael N. G. James, Ph.D.	Professor of Biochemistry, University of Alberta
Andrew S. Kende, Ph.D.	C.F. Houghton Professor of Chemistry at the University of Rochester
Sidney Pestka, M.D.	Chairman & Professor, Department of Molecular Genetics and Microbiology and Professor of Medicine, University of Medicine and Dentistry of New Jersey, Robert Wood Johnson Medical School
John A. Pople, Ph.D.	Trustee's Professor of Chemistry at Northwestern University and 1998 Nobel Prize Laureate in Chemistry
Jeffrey Schlom, Ph.D.	Chief, Laboratory of Tumor Immunology and Biology, Division of Cancer Biology and Diagnosis, National Cancer Institute, National Institutes of Health
David A. Scheinberg, M.D., Ph.D.	Chief, Leukemia Service; Head, Hematopoietic Cancer

Immunochemistry Laboratory, Memorial Sloan-Kettering Cancer Center
Gary Strobel, Ph.D..... Professor, Montana State University
David Woo, Ph.D..... Adjunct Associate Professor of Medicine, University of California, Los Angeles
Ari Zimran, M.D..... Director, Gaucher Clinic, Shaare-Zedek Medical Center
</TABLE>

COMPLIANCE WITH SECTION 16(a) OF SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who beneficially own more than ten percent of our common stock to file with the Securities and Exchange Commission initial reports of beneficial ownership on Form 3 and reports of changes in beneficial ownership on Form 4 and Form 5. Executive officers, directors, and ten percent shareholders are required to furnish us with copies of such forms. Based solely on a review of such forms furnished to us and written representations from certain reporting persons, we believe that during the fiscal year ended December 31, 2000, our executive officers, directors, and ten percent shareholders complied with all applicable Section 16(a) filing requirements.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the aggregate compensation paid or accrued by us for services rendered during the last three fiscal years to Dr. Arthur P. Bollon, currently our Vice Chairman, Dr. Dorit Arad, our Executive Vice President of Drug Design and Daniel M. Shusterman our Vice President of Administration and General Counsel. Under the Securities Act, we are required to disclose the same information for our four most highly compensated executive officers, in addition to our Chief Executive Officer, whose annual compensation exceeded $100,000 for the fiscal year ended December 31, 2000. Only three of our executive officers' compensation exceeded $100,000 for the fiscal year ended December 31, 2000.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

		LONG-TERM				
		ANNUAL COMPENSATION			COMPENSATION	
					AWARDS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	ALL OTHER COMPENSATION(1)	STOCK OPTIONS #	
<S>	<C>	<C>	<C>	<C>	<C>	
Arthur P. Bollon, Ph.D.....	2000	$220,769	--	$6,000	75,000	
Formerly Chief Executive Officer and	1999	$205,988	--	$6,000	25,000	
President, currently Vice Chairman	1998	$186,230	--	$6,000	100,000	
Dorit Arad, Ph.D.....	2000	$130,384	--	$1,615	15,000	
Executive Vice President of	1999	$101,923	--	--	125,000	
Drug Design	1998	--	--	--	--	
Daniel M. Shusterman, J.D.....	2000	$110,038	--	$6,000	10,000	
Vice President, Administration and	1999	$ 90,865	--	$6,000	15,000	
General Counsel	1998	$ 87,533	--	$1,615	25,000	

</TABLE>

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(1) Consisting of car allowances.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Ronald Lane Goode, Ph.D. entered into an employment agreement with the Company on March 21, 2001, whereby Dr. Goode agreed to serve as the Company's President and Chief Executive Officer until March 20, 2004. The employment agreement provides for the payment to Dr. Goode of a base salary of $350,000 per year with an annual bonus payment of up to 60% of Dr. Goode's base salary, as determined by the Board's discretion. In addition, the Company granted to Dr. Goode an option to purchase up to 400,000 shares of the Company's common stock at an exercise price of $3.25 per share.

Arthur P. Bollon, Ph.D. is employed by us under an employment agreement extended through November 6, 2003. The employment agreement provides for the payment to Dr. Bollon of a base salary of $250,000 per year. In addition, in the event Dr. Bollon is terminated without just cause or due to a disability, the employment agreement provides that Dr. Bollon shall receive severance payments of equal monthly installments at the base rate until expiration of the term.

Each of our executive officers and principal scientists has entered into confidentiality and patent assignment agreements with Cytoclonal Pharmaceutics Inc.

STOCK OPTIONS

1992 Plan

In October 1992, our Board of Directors adopted the Cytoclonal Pharmaceutics Inc. 1992 Stock Option Plan. The 1992 Plan provides for the grant of incentive stock options intended to qualify as such under Section 422 of the Internal Revenue Code of 1986, as amended, and nonstatutory stock options that do not so qualify. Under the 1992 Plan, as amended, 520,000 shares of our common stock were reserved for issuance to our officers, employees, consultants and advisors. As of March 23, 2001, options to purchase 239,000 shares of our common stock have been exercised, no shares are available for future grant and options to purchase 281,000 shares of common stock remain outstanding under the 1992 Plan. The exercise prices of options granted under such plan range from $1.65 to $5.00 per share.

1996 Plan

In April 1996, our Board of Directors adopted the Cytoclonal Pharmaceutics Inc. 1996 Stock Option Plan. Under the 1996 Plan, 750,000 shares of our common stock have been reserved for issuance to our officers, directors, employees, consultants and advisors. The 1996 Plan provides for the grant of incentive stock options intended to qualify as such under Section 422 of the Internal Revenue Code of 1986, as amended, and nonstatutory stock options that do not so qualify. In October 1998, stockholders approved an amendment to the 1996 Plan to increase the number of stock options available for grant under the plan from 750,000 to 1,500,000. As of March 23, 2001, options to purchase 37,400 shares of our common stock have been exercised, no options are available for future grant and options to purchase 1,462,600 shares of our common stock remain outstanding. The exercise prices of such options granted so far range from $2.25 to $8.375 per share. All such options are 40% exercisable after six months of continuous employment from the date of grant and increase by 20% increments on each of the first three anniversaries of the date of grant.

2000 Plan

In January 2000, our Board of Directors adopted the Cytoclonal Pharmaceutics Inc. 2000 Stock Option Plan, subject to approval of the Plan by a majority of our shareholders. Under the 2000 Plan, 1,500,000 shares of our common stock will be reserved for issuance to our officers, directors, employees, consultants and advisors. The 2000 Plan will provide for the grant of incentive options intended to qualify as such under Section 422 of the Internal Revenue Code of 1986, as amended, and nonstatutory stock options that do not so qualify. As of December 31, 2000 options to purchase 337,000 shares of our common stock have been granted and 1,163,000 shares were available for future grants. The exercises prices of options granted under such plan range from $6.75 to $9.875.

Our stock option plans are administered by the Compensation Committee of our Board of Directors. Subject to the limitations set forth in the plans, the Compensation Committee has the authority to determine to whom options will be granted, the term and vesting schedule of options and the exercise price. The maximum term of each incentive stock option granted under the plans is ten years. The exercise price of options qualifying as "incentive stock options" may not be less than the fair market value of our common stock on the date of the grant. The exercise price of incentive stock options granted to any participant who owns more than 10% of the total combined voting power of all classes of our outstanding stock must be not less than 110% of the fair market value on the date of grant, and incentive stock options granted to such participants must

also expire within five years from the date of grant. Under the 1992 Plan, the exercise price of options is payable in cash or, at the discretion of the Board, in our common stock or a combination of cash and common stock. Under the 1996 Plan, the exercise price of options is payable in cash or such other means that the Board determines are consistent with such Plan and with applicable laws and regulations. Under the 2000 Plan, the exercise price of options is payable in cash.

The following table sets forth certain information with respect to options granted during the year ended December 31, 2000 to our executive officers whose 2000 annual compensation exceeded $100,000.

OPTION GRANTS IN FISCAL YEAR 2000

<TABLE>
<CAPTION>

	INDIVIDUAL GRANTS			
NAME	OPTIONS GRANTED (#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(1)	EXERCISE OF BASE PRICE ($/SH)	EXPIRATION DATE
<S>	<C>	<C>	<C>	<C>
Arthur P. Bollon, Ph.D. Formerly Chief Executive Officer and President, Currently Vice Chairman	75,000	5%	7.438	January 14, 2010
Dorit Arad, Ph.D. Executive Vice President Of Drug Design	15,000	3%	7.438	January 14, 2010
Daniel M. Shusterman, J.D. Vice President, Administration and General Counsel	10,000	2%	7.438	January 14, 2010

</TABLE>

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(1) Excludes grants to non-employee directors and consultants.

The following table sets forth certain information with respect to each exercise of stock options during the fiscal year ended December 31, 2000 by our executive officers whose 2000 annual compensation exceeded $100,000 and the number and value of unexercised options held by each of them as of December 31, 2000:

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 2000 AND FISCAL 2000 YEAR END OPTION VALUES

<TABLE>
<CAPTION>

			NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FY-END (#)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FY-END (#)
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	EXERCISABLE/UNEXERCISABLE	EXERCISABLE/UNEXERCISABLE(1)
<S>	<C>	<C>	<C>	<C>
Arthur P. Bollon, Ph.D.	0	0	540,000/105,000	$3,982,500/$774,375
Dorit Arad, Ph.D.	0	0	75,000/15,000	$553,125/$479,375
Daniel M. Shusterman, J.D.	0	0	84,000/26,000	$619,500/$191,750

</TABLE>

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(1) Based on the fair market value of the Company's Common Stock on December 31, 2000 as quoted on the Nasdaq SmallCap Market.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Generally, under the Securities Exchange Act of 1934, a person is deemed to "beneficially own" securities which that person has the right to acquire within 60 days. The following table sets forth certain information regarding the beneficial ownership of our capital stock as of March 27, 2001, by each person deemed to be the beneficial owner of more than 5% of any class of our capital stock, each of our directors and all directors and executive officers as a group, without naming them. Except as otherwise indicated, each of the persons named has sole voting and investment power with respect to the shares shown below.

<TABLE>
<CAPTION>

	COMMON STOCK		SERIES A PREFERRED STOCK		
NAME AND ADDRESS OF BENEFICIAL OWNER(1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (2)	PERCENT OF CLASS (2)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (3)	PERCENT OF CLASS (3)	PERCENT OF ALL VOTING SECURITIES (4)
<S>	<C>	<C>	<C>	<C>	<C>
Roan/Meyers Associates, L.P.(5)	1,590,549	9.7%	29,282	3.7%	9.5%
Bruce Meyers(6)	1,509,020	9.3%	29,282	3.7%	9.0%
Arthur P. Bollon, Ph.D.(7)	769,900	4.6%	--	--	4.3%
Robert J. Easton(8)	25,000	*	--	--	*
Gary E. Frashier(9)	98,500	*	--	--	*
Ira J. Gelb, M.D.(10)	162,500	1%	--	--	*
Irwin C. Gerson(11)	158,500	1%	--	--	*
Ronald L. Goode, Ph.D.(12)	200,000	1.2%	--	--	1.1%
Walter M. Lovenberg, Ph.D.(13)	161,000	1%	--	--	*
Directors and executive officers as a group (11 persons)(14)	1,792,900	10%	--	--	9.6%

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* Less than 1%

Except as otherwise indicated, each of the persons named has sole voting and investment power with respect to the shares shown below.

(1) Except as otherwise indicated, the address of each beneficial owner is c/o the Company, 9000 Harry Hines Boulevard, Suite 621, Dallas, Texas 75235.

(2) Calculated on the basis of 16,150,773 shares of Common Stock outstanding except that shares of Common Stock underlying options or warrants exercisable within 60 days of the date hereof are deemed to be outstanding for purposes of calculating the beneficial ownership of securities of the holder of such options or warrants. This calculation excludes shares of Common Stock issuable upon the conversion of Series A Preferred Stock.

(3) Calculated on the basis of 786,112 shares of Series A Preferred Stock outstanding.

(4) Calculated on the basis of an aggregate of 16,936,885 shares of Common Stock and Series A Preferred Stock outstanding except that shares of Common Stock underlying options and warrants exercisable within 60 days of the date hereof are deemed to be outstanding for purposes of calculating beneficial ownership of securities of the holder of such options or warrants. This calculation excludes shares of Common Stock issuable upon the conversion of Series A Preferred Stock.

(5) The address for Roan/Meyers Associates, L.P. ("RMA") (formerly, Janssen-Meyers Associates, L.P.) is 17 State Street, New York, New York 10004. Mr. Bruce Meyers is a 100% stockholder and the sole officer and director of the corporate general partner of RMA. Includes (i) 81,529 shares of Common Stock issuable upon the exercise of a Unit Purchase Option and underlying Class E Warrants granted to RMA for placement agent services in connection with the Company's April 1998 private placement (the "April 1998 Private Placement") and (ii) the aggregate amount of shares of Common Stock and Series A Preferred Stock beneficially owned by Mr. Meyers. See (6) below.

(6) Mr. Meyers' address is c/o RMA referenced in note (5) above. Consists of (i) 1,444,470 shares of Common Stock, (ii) 33,987 shares of Common Stock issuable upon the exercise of a currently exercisable Unit Purchase Option and underlying Class E Warrants granted to RMA for placement

agent services in connection with the April 1998 Private Placement, (ii) 1,510 shares of Common Stock issuable upon the exercise of 377.5 Unit Purchase Options and underlying C and D Warrants originally granted to RMA for underwriting services in connection with the IPO, (iii) 30,563 shares of Common Stock issuable upon the exercise of currently exercisable Class E Warrants, (iv) 35,800 shares of Common Stock held by The Meyers Foundation of which Mr. Meyers has voting control. Does not include 29,282 shares of Common Stock issuable upon the conversion of 29,282 shares of Series A Preferred Stock. See note (5) above.

(7) Ownership consists of 167,400 shares of Common Stock and options to purchase 602,500 shares of Common Stock which are currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 67,500 shares of Common Stock not exercisable within 60 days of the date hereof.

(8) Ownership consists of options to purchase 25,000 shares of Common Stock currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 50,000 shares of Common Stock not exercisable within 60 days of the date hereof.

(9) Ownership consists of options to purchase 98,500 shares of Common Stock currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 121,500 shares of Common Stock not exercisable within 60 days of the date hereof.

(10) Ownership consists of options to purchase 162,500 shares of Common Stock which are currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 16,500 shares of Common Stock not exercisable within 60 days of the date hereof.

(11) Ownership consists of options to purchase 158,500 shares of Common Stock which are currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 16,500 shares of Common Stock not exercisable within 60 days of the date hereof.

(12) Ownership consists of options to purchase 200,000 shares of Common Stock which are currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 200,000 shares of Common Stock which are not currently exercisable within 60 days of the date hereof.

(13) Ownership consists of 2,500 shares of Common Stock, options to purchase 158,500 shares of Common Stock which are currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 16,500 shares of Common Stock not exercisable within 60 days of the date hereof.

(14) Ownership consists of 200,900 shares of Common Stock and options to purchase an aggregate of 1,592,000 shares of Common Stock which are currently exercisable or exercisable within 60 days of the date hereof. Does not include options to purchase 923,000 shares of Common Stock not exercisable within 60 days of the date hereof.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Roan/Meyers Associates, L.P. (formerly Janssen-Meyers Associates, L.P.) acted as the placement agent of our 1998 private placement. In consideration for its services rendered, they received fees of $563,368, a non-accountable expense allowance of $169,010, an accountable out-of-pocket expense allowance of $13,658, and legal and blue-sky fees of $48,610. We also granted Roan/Meyers warrants, exercisable for a five-year period commencing April 2, 1998, to purchase 134,199 shares of our common stock and class E warrants to purchase 67,101 shares of our common stock.

In 2000 Roan/Meyers Associates, L.P. received $339,000 in reimburseable

expenses related to the redemption of our Class C and D warrants. In addition, the Company paid solicitation fees of approximately $1,921,000 which was charged to additional paid-in-capital in connection with the redemption of the Class C and D warrants.

In December 2000, we entered in to an agreement with Easton Associates L.L.C., a company founded by our director Robert J. Easton, for strategy and market planning services at an annual fee of $125,000.

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) Independent Auditors' Report

Balance Sheets as of December 31, 2000 and 1999

Statements of Operations for the years ended December 31, 2000, 1999 and 1998

Statements of Changes in Stockholders' Equity for years ended December 31, 2000, 1999 and 1998

Statements of Cash Flows for the years ended December 31, 2000, 1999, and 1998

Notes to Financial Statements

(2) Financial Statement Schedules

All schedules have been omitted because the required information is included in the financial statements or notes thereto or because they are not required.

(3) Exhibits

<TABLE>
<C> <S>

3.1	-- Certificate of Incorporation, as amended(l)
3.2	-- By-laws(l)
4.1	-- Specimen certificates representing Class C Warrants, Class D Warrants and Common Stock(l)
4.3	-- Form of Unit Purchase Option in connection with the Company's Initial Public Offering(l)
4.4	-- Warrant Certificate issued to the Washington State University Research Foundation(4)
10.1	-- Employment Agreement dated March 1, 1992 between the Company and Arthur P. Bollon, Ph.D, as amended(1)
10.2	-- Employment Agreement effective November 7, 1995 between the Company and Daniel Shusterman, as amended(l)
10.3	-- 1992 Stock Option Plan, as amended(l)
10.4	-- Form of Stock Option Agreement(l)
10.5	-- Lease Agreement dated September 1, 1993 between the Company and Mutual Benefit Life Insurance Company In Rehabilitation(l)
10.6	-- Lease Agreement dated October 1, 1991 between the Company and J.K. and Susie Wadley Research Institute and Blood Bank, as amended(l)
10.7	-- Purchase Agreement dated October 10, 1991 between the Company and Wadley Technologies, Inc. ("Wadley")(1)
10.8	-- Security Agreement dated October 10, 1991 between the Company and Wadley(l)
10.9	-- License Agreement dated March 15, 1989 between the Company and Phillips Petroleum Company, as amended(l)
10.10	-- License Agreement dated June 10, 1993 between the Company and Research & Development Institute, Inc. ("RDI"), as amended, relating to the Paclitaxel Fermentation Production System(l)
10.11	-- Research and Development Agreement effective June 10, 1993 between the Company and RDI, as amended(l)
10.12	-- License Agreement dated February 22, 1995 between the Company and RDI, as amended, relating to FTS-2(l)

</TABLE>

<TABLE>
<C> <S>

10.13	-- Research, Development and License Agreement dated March 26, 1992 between the Company and Enzon, Inc. ("Enzon"), as amended(l)
10.14	-- Research, Development and License Agreement dated July 13, 1992 between the Company and Enzon relating to the Company's tumor necrosis factor technology(l)
10.15	-- Agreement effective June 30, 1992 between the Company and University of Texas at Dallas ("UTD"), as amended(l)
10.16	-- Research Agreement effective April 8, 1994 between the Company and Sloan-Kettering Institute for Cancer Research(l)
10.17	-- Joint Venture Agreement dated September 17, 1992 between the Company and Pestka Biomedical Laboratories, Inc. ("Pestka")(1)
10.18	-- Stock Purchase Agreement dated September 17, 1992 between the Company and Pestka(l)
10.19	-- License Agreement dated September 17, 1992 between Cytomune, Inc. and Pestka(l)
10.20	-- Research and Development Agreement dated September 17, 1992 between Cytomune, Inc. and Pestka(l)
10.21	-- Marketing Agreement dated as of November 1, 1994 between Helm AG and the Company(l)
10.22	-- Extension Agreement with RDI dated June 5, 1995(l)
10.23	-- Third Amendment to Lease Agreement dated April 30, 1995(l)
10.24	-- Form of Subordinated Note Extension(l)
10.25	-- Form of Note Extension(l)
10.26	-- September 25, 1995 RDI Extension(l)
10.27	-- October 25, 1995 RDI Extension(1)
10.28	-- Amendment to License Agreement dated June 10, 1993, as amended, and Research and Development Agreement effective June 10, 1993, as amended, both agreements between the Company and RDI(2)
10.29	-- License Agreement No. W960206 effective February 27, 1996 between the Company and The Regents of the University of California(2)
10.30	-- License Agreement No. W960207 effective February 27, 1996 between the Company and The Regents of the University of California(2)
10.31	-- License Agreement with the Washington State University, dated July 2, 1996(3)*
10.32	-- Amendment to Agreement, effective June 30, 1992, as amended, between the Company and the University of Texas at Dallas(3)
10.33	-- 1996 Stock Option Plan and Amendment No. 1 thereto(7)
10.34	-- Patent License Agreement, dated August 4, 1998, between The Regents of the University of California and the Company for Peptide Anti-estrogen for Breast Cancer Therapy(5)*
10.35	-- Master License Agreement, dated as of June 12, 1998, between the Company and Bristol-Myers Squibb Company(6)*
10.36	-- Sublicense Agreement, dated May 27, 1998, between the Company and Bristol-Myers Squibb under The Research & Development Institute, Inc. License Agreement, as amended, dated June 10, 1998(6)*

</TABLE>

<TABLE>
<C> <S>

10.37	-- Sublicense Agreement, dated May 19, 1998, between the Company and Bristol-Myers Squibb Company under the Washington State University Research Foundation License Agreement, dated June 8, 1996(6)*
10.38	-- Amended and Restated License Agreement, dated June 3, 1998, between the Washington State University Research Foundation and the Company(6)*
10.39	-- Amendment, dated May 27, 1998, to the License Agreement, dated June 10, 1993, between The Research and Development

Institute, Inc. and the Company(6)*
10.40 -- 2000 Stock Option Plan
10.41 -- Employment Agreement dated March 21, 2001, between the Company and Ronald Lane Goode, Ph.D.
21 -- List of Subsidiaries -- None
23 -- Consent of Independent Auditors
</TABLE>

(4) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the fiscal year ended December 31, 2000.
- ----------

* Confidential portions omitted and filed separately with the U.S. Securities Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

(1) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (File No. 33-91802) and are incorporated by reference herein.

(2) Previously filed as an exhibit to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995.

(3) Previously filed as an exhibit to the Company's Post-Effective Amendment No. 1 to Form SB-2 (File No. 33-91802) and are incorporated by reference herein.

(4) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-13409) and is incorporated by reference herein.

(5) Previously filed as an exhibit to the Post-Effective Amendment to the Company's Registration Statement on Form SB-2 on Form S-3 (File No. 333-13409) and is incorporated by reference herein.

(6) Previously filed as an exhibit to the Company's Current Report on Form 8-K (File No. 000-26078) and is incorporated by reference herein.

SIGNATURES

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

CYTOCLONAL PHARMACEUTICS INC.

By:/s/ RONALD LANE GOODE, PH.D.

Ronald Lane Goode, Ph.D.
President and Chief Executive Officer

Dated: March 30, 2001

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

<TABLE>
<CAPTION>
SIGNATURE	CAPACITY	DATE
<C>	<S>	<C>
/s/ GARY E. FRASHIER Gary E. Frashier	Chairman	March 30, 2001
/s/ RONALD LANE GOODE, PH.D. Ronald Lane Goode, Ph.D.	President & Chief Executive Officer	March 30, 2001
/s/ ARTHUR P. BOLLON, PH.D.	Vice Chairman	March 30, 2001

<TABLE>
Arthur P. Bollon, Ph.D.		
/s/ JOAN H. GILLETT, CPA Joan H. Gillett, CPA	Vice President, Controller and Chief Accounting Officer	March 30, 2001
/s/ ROBERT J. EASTON Robert J. Easton	Director	March 30, 2001
/s/ IRA J. GELB Ira J. Gelb	Director	March 30, 2001
/s/ IRWIN C. GERSON Irwin C. Gerson	Director	March 30, 2001
/s/ WALTER M. LOVENBERG Walter M. Lovenberg	Director	March 30, 2001
</TABLE>

CYTOCLONAL PHARMACEUTICS INC.

CONTENTS

<TABLE>
<CAPTION>

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Cytoclonal Pharmaceutics Inc.
Dallas, Texas

We have audited the accompanying balance sheets of Cytoclonal Pharmaceutics Inc. as of December 31, 2000 and 1999, and the related statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 enumerated above present fairly,

in all material respects, the financial position of Cytoclonal Pharmaceutics Inc. as of December 31, 2000 and 1999, and results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B[9] to the financial statements, the Company changed its method of revenue recognition in 1999.

Richard A. Eisner & Company, LLP

New York, New York
March 2, 2001

CYTOCLONAL PHARMACEUTICS INC.

BALANCE SHEETS

<TABLE>
<CAPTION>

	DECEMBER 31,	
	2000	1999
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash equivalents	$ 35,408,000	$ 3,213,000
Prepaid expenses and other current assets	495,000	135,000
Total current assets	35,903,000	3,348,000
Equipment, net	512,000	285,000
Patent rights, less accumulated amortization of $764,000 and $654,000	670,000	780,000
Notes receivable -- officer/stockholder	278,000	74,000
Other assets	15,000	4,000
	$ 37,378,000	$ 4,491,000
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 633,000	$ 682,000
Taxes payable	95,000	
Deferred revenue		207,000
Current portion of royalties payable	125,000	135,000
Total current liabilities	853,000	1,024,000
Royalties payable, less current portion	750,000	875,000
	1,603,000	1,899,000
Commitments and other matters (Note I)		
STOCKHOLDERS' EQUITY (Note G)		
Preferred stock -- $.01 par value, 10,000,000 shares authorized; 718,353 and 728,903 shares of Series A convertible preferred issued and outstanding (liquidation value $1,796,000 and $1,822,000)	7,000	7,000
Common stock -- $.01 par value, 30,000,000 shares authorized; 16,146,730 and 10,377,453 shares issued	162,000	104,000
Additional paid-in capital	67,083,000	24,670,000
Subscriptions receivable	(51,000)	
Unearned compensation	(70,000)	
Accumulated deficit	(29,354,000)	(22,189,000)
Treasury stock, 260,600 shares of common stock, at cost	(2,002,000)	
	35,775,000	2,592,000
	$ 37,378,000	$ 4,491,000

	==========	==========	==========

</TABLE>

See notes to financial statements

CYTOCLONAL PHARMACEUTICS INC.

STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Revenue:			
License and research fees	$ 865,000	$ 1,375,000	$ 1,183,000
Operating expenses:			
Research and development	3,681,000	2,332,000	1,692,000
General and administrative	5,788,000	3,194,000	2,500,000
	9,469,000	5,526,000	4,192,000
Other (income) expenses:			
Interest income	(1,543,000)	(222,000)	(286,000)
Interest expense	9,000	6,000	5,000
	(1,534,000)	(216,000)	(281,000)
Loss before items shown below	(7,070,000)	(3,935,000)	(2,728,000)
Provision for taxes	(95,000)		
Loss before cumulative effect of a change in accounting principle	(7,165,000)	(3,935,000)	(2,728,000)
Cumulative effect on prior years of changing method of revenue recognition (Note B[9])		(422,000)	
NET LOSS	(7,165,000)	(4,357,000)	(2,728,000)
Preferred stock dividend	(180,000)	(182,000)	(187,000)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$(7,345,000)	$(4,539,000)	$(2,915,000)
Basic and diluted loss per common share:			
Loss before cumulative effect of a change in accounting principle	$ (.51)	$ (.40)	$ (.30)
Cumulative effect on prior years of changing method of revenue recognition		(.04)	
Net loss	$ (.51)	$ (.44)	$ (.30)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING -- BASIC AND DILUTED	14,452,000	10,333,000	9,742,000

</TABLE>

See notes to financial statements

CYTOCLONAL PHARMACEUTICS INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (NOTE G)

<TABLE>
<CAPTION>

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID IN	SUBSCRIPTIONS	UNEARNED
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	RECEIVABLE	COMPENSATION
	-------	-------	----------	--------	----------	----------	----------

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE -- DECEMBER 31, 1997...	934,563	$9,000	8,793,998	$ 88,000	$16,130,000		
Preferred dividend (stock).....	94,680	1,000		(1,000)			
Preferred stock converted to common stock.....	(282,379)	(3,000)	282,379	3,000			
Exercise of warrants.....			389,241	4,000	2,495,000		
Exercise of options.....			73,200	1,000	130,000		
Value assigned to options issued for professional services.....				197,000			
Private placement.....			671,026	6,000	4,831,000		
Other.....				3,000			
Net loss for the year.....							
BALANCE -- DECEMBER 31, 1998...	746,864	7,000	10,209,844	102,000	23,785,000		
Preferred dividend (stock).....	74,648	1,000		(1,000)			
Preferred stock converted to common stock.....	(92,609)	(1,000)	92,609	1,000			
Exercise of warrants.....			15,000		59,000		
Exercise of options.....			7,000		25,000		
Value assigned to options issued for professional services.....				412,000			
Shares exchanged for technology.....			25,000		184,000		
Issuance of compensatory stock.....			28,000	1,000	206,000		
Net loss for the year.....							
BALANCE -- DECEMBER 31, 1999...	728,903	7,000	10,377,453	104,000	24,670,000		
Preferred dividend (stock).....	72,856	1,000		(1,000)			
Preferred stock converted to common stock.....	(83,406)	(1,000)	83,406	1,000			
Exercise of warrants, net of related expenses of $1,999,000.....			5,519,111	55,000	39,313,000	$(51,000)	
Exercise of options and units.....			166,760	2,000	605,000		
Value assigned to warrants and options issued for professional services.....				2,360,000			
Compensation related to grant of options to employees.....				130,000		$(70,000)	
Purchase of Treasury stock.....							
Proceeds from sale of Treasury stock.....				6,000			
Net loss for the year.....							
BALANCE -- DECEMBER 31, 2000...	718,353	$7,000	16,146,730	$162,000	$67,083,000	$(51,000)	$(70,000)

<CAPTION>

	TREASURY STOCK		
	ACCUMULATED DEFICIT	SHARES	AMOUNT
<S>	<C>	<C>	<C>
BALANCE -- DECEMBER 31, 1997...	$(15,104,000)		$ 1,123,000
Preferred dividend (stock).....		0	
Preferred stock converted to common stock.....		0	
Exercise of warrants.....		2,499,000	
Exercise of options.....		131,000	
Value assigned to options issued for professional services.....		197,000	
Private placement.....		4,837,000	
Other.....		3,000	
Net loss for the year.....	(2,728,000)		(2,728,000)
BALANCE -- DECEMBER 31, 1998...	(17,832,000)		6,062,000
Preferred dividend (stock).....		0	

Preferred stock converted to common stock.....			0	
Exercise of warrants.....			59,000	
Exercise of options.....			25,000	
Value assigned to options issued for professional services.....			412,000	
Shares exchanged for technology.....			184,000	
Issuance of compensatory stock.....			207,000	
Net loss for the year.....	(4,357,000)			(4,357,000)
BALANCE -- DECEMBER 31, 1999...	(22,189,000)			2,592,000
Preferred dividend (stock).....			0	
Preferred stock converted to common stock.....			0	
Exercise of warrants, net of related expenses of $1,999,000.....			39,317,000	
Exercise of options and units.....			607,000	
Value assigned to warrants and options issued for professional services.....			2,360,000	
Compensation related to grant of options to employees.....			60,000	
Purchase of Treasury stock.....		263,600	$(2,023,000)	(2,023,000)
Proceeds from sale of Treasury stock.....	(3,000)	21,000	27,000	
Net loss for the year.....	(7,165,000)			(7,165,000)
BALANCE -- DECEMBER 31, 2000...	$(29,354,000)	260,600	$(2,002,000)	$35,775,000

See notes to financial statements

CYTOCLONAL PHARMACEUTICS INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss.....	$(7,165,000)	$(4,357,000)	$(2,728,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization.....	290,000	200,000	131,000
Value assigned to warrants, options and compensatory stock.....	2,420,000	619,000	197,000
Changes in:			
Prepaid expenses and other current assets.....	(371,000)	(50,000)	(50,000)
Tax payable.....	95,000		
Deferred revenue.....	(207,000)	140,000	67,000
Accounts payable and accrued expenses.....	(49,000)	221,000	29,000
Net cash used in operating activities.....	(4,987,000)	(3,227,000)	(2,354,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Notes receivable -- officer/shareholder.....	(204,000)	(74,000)	
Purchase of equipment.....	(407,000)	(250,000)	(76,000)
Net cash used in investing activities.....	(611,000)	(324,000)	(76,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			

Proceeds from sale of common stock through exercise of options and warrants	39,924,000	84,000	2,630,000
Net proceeds from private placement of common stock			4,837,000
Payment of royalty liability	(135,000)	(146,000)	(63,000)
Other		3,000	
Purchase of treasury stock	(2,023,000)		
Proceeds from sale of treasury stock	27,000		
Net cash provided by (used in) financing activities	37,793,000	(62,000)	7,407,000
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	32,195,000	(3,613,000)	4,977,000
Cash equivalents at beginning of year	3,213,000	6,826,000	1,849,000
CASH EQUIVALENTS AT END OF YEAR	$35,408,000	$ 3,213,000	$ 6,826,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 8,000	$ 6,000	$ 5,000
Noncash investing activities:			
Common stock issued for technology		$ 184,000	

</TABLE>

See notes to financial statements

CYTOCLONAL PHARMACEUTICS INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

NOTE A -- THE COMPANY

Cytoclonal Pharmaceutics Inc. (the "Company") is involved in the research and development of various therapeutic and diagnostic pharmaceutical products for the prevention of cancer, viral and immune diseases. Through June 1998, the Company was in the development stage and its efforts had been principally devoted to research and development, capital formation and organizational development.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Equipment:

Equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or term of the lease whichever is shorter.

[2] Patent rights and costs:

Purchased patents, which were acquired in October 1991, are stated at cost and are being amortized using the straight-line method over the 17 year life of the patents and charged to research and development expense (see Note C). Patents and technology acquired during 1999 are being amortized over an estimated useful life of 5 years (see Note I[2]).

The Company reviews its patents for impairment whenever events or changes in circumstances indicate that the carrying amount of the patents may not be recoverable. In performing the review, the Company estimates undiscounted cash flows from products under development which are covered by these patents. Impairment based on the estimated fair value of the patents would be recognized if those estimated cash flows were less than the unamortized costs. Related patents are grouped in estimating future cash flows to determine whether patents are impaired and in measuring the amount of the impairment.

[3] Research and development:

Research and development costs are charged to expense as incurred.

[4] Loss per common share:

Basic and diluted loss per common share is based on the net loss increased by dividends on preferred stock divided by the weighted average number of common shares outstanding during the year. No effect has been given to outstanding options, warrants or convertible preferred stock in the diluted computation as their effect would be antidilutive. The number of potentially dilutive securities excluded from computation of diluted loss per share were approximately 4,697,000, 10,069,000 and 9,770,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

[5] Cash equivalents and concentration of credit risk:

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents, which amount to $35,408,000 and $3,213,000 at December 31, 2000 and 1999, respectively, consists principally of interest bearing cash deposits placed with a single financial institution.

[6] Stock-based compensation:

The Company has elected to continue to account for its stock-based compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock

Issued to Employees" ("APB No. 25"). Under the provisions of APB No. 25, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's common stock at the date of the grant over the amount an employee must pay to acquire the stock.

[7] Fair value of financial instruments:

The carrying value of cash equivalents, accounts payable and accrued expenses approximates their fair value due to the short period to maturity of these instruments. It is not practicable to estimate the fair value of royalties payable due to payment terms varying based on sales of products by the Company and the lack of such sales during the years ended December 31, 2000 and 1999.

[8] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[9] Revenue recognition and change in accounting principle:

Revenue from research support agreements is recognized as the expenses for research and development activities performed under the terms of the agreements are incurred. Revenue resulting from the achievement of milestones is recognized when the milestone is achieved. Amounts received in advance of services to be performed are recorded as deferred revenue. In December 1999, the staff of the Securities and Exchange Commission issued an accounting bulletin on revenue recognition which provides, among other matters, that nonrefundable license fees should be recognized over the period of performance of related research and development activities. Accordingly, the Company changed its accounting policy from recognizing revenue from nonrefundable license fees at signing of agreement to deferring and recognizing such fees over the period of performance of related research and development activities. Effective January 1, 1999, the Company reflected this change in accounting principle as a cumulative effect on prior years of $422,000, which is shown in the statement of operations. Payments to third parties in connection with nonrefundable license fees are being recognized over the period of performance of related research and development activities.

Pro forma amounts assuming the change in accounting for revenue recognition had been applied retroactively is as follows:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1999	1998
<S>	<C>	<C>
Net loss.....	$(3,935,000)	$(3,150,000)
Net loss per common share -- basic and dilutive.....	(.40)	(.34)

</TABLE>

[10] Reclassifications:

Certain items have been reclassified in the prior years' financial statements to conform to current year presentation.

NOTE C -- ROYALTIES PAYABLE

On October 10, 1991, the Company entered into an agreement to acquire certain patent rights, technology and know-how (the "Technology") from Wadley Technologies, Inc. ("Wadtech") for the fixed sum of $1,250,000 and ongoing royalties.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The agreement provides for the payment of royalties of up to 6.25% of gross selling price of products incorporating the Technology and up to 50% of all compensation received by the Company for sales by sublicensees of any products covered by the Technology, which will be applied to reducing the fixed sum of $1,250,000, until the fixed sum is paid. Thereafter, the agreement provides for the payment of royalties of up to 3.75% of gross selling price of products incorporating the Technology and up to 50% of all compensation received by the Company for sales by sublicensees of any products covered by the Technology. The agreement also provides for minimum annual royalty payments of $31,250, $62,500 and $125,000 payable quarterly during each twelve-month period beginning October 1, 1996, 1997 and 1998, respectively. Thereafter, during each twelve-month period beginning October 1, 1999, the agreement provides for minimum annual royalty payments of $125,000 payable monthly. Through December 31, 2000, the Company has made payments of approximately $375,000.

The Company granted Wadtech a security interest in the Technology until the fixed sum is paid. The agreement continues for 99 years from October 10, 1991 and the Company has the option to terminate the agreement without cause on three months notice to Wadtech.

NOTE D -- LICENSE AND RESEARCH AGREEMENT

In June 1998, the Company entered into a license and research agreement with Bristol Myers Squibb ("BMS") applicable to two technologies, which are being sublicensed by the Company to BMS, related to production of Paclitaxel, the active ingredient in BMS's largest selling cancer product. The agreement, which is for a term of ten years, subject to earlier termination at the option of BMS, includes fees, milestone payments, research and development support and minimum and sales-based royalties to be paid to the Company. In December 2000, the research and development support term was extended.

For the year ended December 31, 2000, revenues of $187,000 and $678,000 for the license fee and research, respectively, were recognized under the agreement. For the year ended December 31, 1999, revenues of $375,000 and $1,000,000 for the license fee and research, respectively, were recognized under the agreement. For the year ended December 31, 1998, revenues of $750,000 and $433,000 for the license fee and research, respectively, were recognized under the agreement (see Note B[9]).

NOTE E -- EQUIPMENT

Equipment is summarized as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,

	2000	1999
<S>	<C>	<C>
Office equipment	85,000	$ 78,000
Furniture and fixtures	65,000	48,000
Computers and laboratory equipment	820,000	507,000
Laboratory software	72,000	
Leasehold improvements	8,000	8,000
Total	1,050,000	641,000
Less accumulated depreciation and amortization	538,000	356,000
Net	$ 512,000	$ 285,000

</TABLE>

NOTE F -- ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	2000	1999
<S>	<C>	<C>
Professional fees	$174,000	$202,000
Payroll and related expenses	254,000	185,000
Licensors and contractors	139,000	215,000
Occupancy costs		21,000
Real estate taxes		11,000
Other	66,000	48,000
	$633,000	$682,000

</TABLE>

NOTE G -- STOCKHOLDERS' EQUITY

[1] Private placement:

In April and May 1998, the Company completed a private placement for an aggregate of 671,026 shares of common stock and 335,538 Class E warrants and received net proceeds of approximately $4,837,000.

[2] Preferred stock:

On January 6, 1992, the Board of Directors designated 4,000,000 shares of preferred stock as Series A convertible preferred stock. The holders of Series A preferred stock are entitled to (i) convert on a one-for-one basis to common stock subject to adjustment, as defined, (ii) voting rights equivalent to voting rights of common stockholders, (iii) receive dividends equal to $.25 per share payable on or about January 15 each year in cash or newly-issued shares of Series A preferred or a combination thereof (iv) liquidation preferences of $2.50 per preferred share and (v) certain demand and piggyback registration rights with respect to the common shares issuable upon conversion.

The Company, at its option, has the right to redeem all or any portion of the Series A convertible preferred stock at $2.50 per share plus accrued and unpaid dividends.

[3] Common stock:

During 1999 the Company acquired certain technology for 25,000 shares of common stock (Note I[2]).

In addition, during 1999, in conjunction with the employment of the Vice President for Drug Design and the acquisition of technology, the Company paid a fee of $75,000 and issued to third parties an aggregate of 28,000 shares of common stock, which were valued at market value at date of grant.

In February and March 2000, the Company gave notice to the holders of its Class C and D Warrants that it was exercising its right of redemption at $.05 per warrant effective March 9 and April 12, 2000. Subsequent to the notice, the Company received approximately $13,001,000 from the exercise of 2,000,135 Class C warrants and approximately $25,742,000 from the exercise of 2,941,905 Class D warrants. In connection therewith the Company incurred expenses of $1,999,000. In addition, during 2000, certain Class A, B, E and other warrants were exercised for 577,071 common share and the Company received proceeds of $2,573,000. Further during 2000, warrants to acquire 14,268 common shares expired.

In addition, during 2000, outstanding options to purchase 506,250 warrants at $.10 per warrant were exercised and the acquired warrants were then exercised for 202,500 shares of common stock at a price of $3.75 per share.

In April 2000, the Company announced a stock buy-back program under which the Board of Directors authorized the purchase of up to $2,000,000 of its common stock. During the year ended December 31, 2000 the Company had purchased 263,600 shares of common stock at a cost of approximately $2,023,000.

[4] Warrants and unit purchase options:

At December 31, 2000, outstanding warrants to acquire shares of the Company's common stock are as follows:

<TABLE>
<CAPTION>

WARRANT TYPE	EXERCISE PRICE	EXPIRATION DATE	NUMBER OF SHARES RESERVED	
<S>	<C>	<C>	<C>	
Class E....	$9.82 to $11.35	April 2003	326,554	(a)
Other..	$4.25 to $9.00	July 2002 -- July 2004	513,500	(b)
			840,054	

</TABLE>

- ----------

(a) See Note G[1]

(b) See Notes I[3] and I[4]

In connection with its initial public offering, the Company sold to the underwriter, at a nominal amount, a unit purchase option to purchase up to an aggregate of 200,000 additional units at $8.25 per unit. The units purchasable upon exercise of the unit purchase option are comprised of one share of common stock, one Class C warrant and one Class D warrant. Each Class C warrant entitles the holder to purchase a unit consisting of one share of common stock and one redeemable Class D detachable warrant. Each Class D warrant entitles the holder to purchase one share of common stock. The exercise price of Class C and D warrants is $6.50 and $8.75, respectively. The unit purchase options became exerciseable in November 1998 for a two-year period. During 2000, the exercise period was extended to November 2001.

See Note I[5] for unit purchase option issued in connection with private placement in 1998.

[5] Stock options:

During 1992, the Board of Directors and the stockholders of the Company approved a Stock Option Plan (the "1992 Plan") which provides for the granting of options to purchase up to 520,000 shares of common stock, pursuant to which officers, directors, key employees and the Company's Scientific Advisory Board are eligible to receive incentive and/or nonstatutory stock options.

During 1996, the Board of Directors and the stockholders of the Company approved the 1996 Stock Option Plan (the "1996 Plan") which provides for the granting of incentive and nonstatutory options for up to 750,000 shares of common stock to officers, employees, directors and consultants of the Company. During 1998, the Board of Directors and the stockholders of the Company approved an amendment to the Plan to allow for the granting of an additional 750,000 options.

During 2000, the Board of Directors and the stockholders of the Company approved the 2000 Stock Option Plan (the "2000 Plan"), which provides for the granting of incentive and nonstatutory options for up to 1,500,000 shares of common stock to officers, employees, directors, independent contractors, advisors and consultants of the Company.

Options granted under the Plans are exercisable for a period of up to 10 years from date of grant at an exercise price which is not less than the fair value of the common stock on date of grant, except that the exercise period of options granted to a stockholder owning more than 10% of the outstanding capital stock may not exceed five years and their exercise price may not be less than 110% of the fair value of the common stock at date of grant. For the 1992 Plan and the 1996 Plan options generally vest 40% after six months of

employment and thereafter 20% annually on the anniversary date of the grant. For the 2000 Plan options generally vest 50% annually on the anniversary date of the grant.

Stock option activity under the Plans are summarized as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	2000		1999		1998	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Options outstanding at beginning of year	1,635,300	$4.16	1,310,300	$3.50	1,032,500	$3.04
Granted	492,000(a)	7.69	335,000	6.62	351,000	4.52
Exercised	(46,700)	3.57	(7,000)	3.55	(73,200)	1.80
Cancelled			(3,000)	4.31		
Options outstanding at end of year	2,080,600	5.01	1,635,300	4.16	1,310,300	3.50
Options exercisable at end of year	1,394,380	3.94	1,141,340	3.53	786,380	3.08

</TABLE>

- ---

(a) In January and April 2000, respectively, options to acquire 106,000 and 10,000 shares were granted, subject to stockholder approval, to employees and directors of the Company at an exercise price equal to the market price at date of grant. At date of stockholder approval the market price exceeded the exercise price by $1.06 and $1.75 per share, respectively, such excess is being charged to operations over the vesting period.

The following table presents information relating to stock options outstanding under the plans as of December 31, 2000:

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING LIFE IN YEARS	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$1.65 - $3.9375	601,000	$2.43	4.79	584,000	$2.40
$4.125 - $4.75	630,600	4.43	6.57	579,080	4.41
$5.00 - $7.375	397,000	6.66	8.00	221,500	6.56
$7.4375 - $9.875	452,000	7.77	9.13	9,800	8.89
	2,080,600	5.01	6.88	1,394,380	3.94

</TABLE>

At December 31, 2000, no more options were available for future grant under the 1992 Plan and the 1996 Plan and 1,163,000 options are available under the 2000 Plan.

In addition to options granted under the plans, in February 1996, the Company granted options to purchase 100,000 shares of common stock at $4.25 as compensation for professional services. These options were exercised during 2000.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The weighted average fair value at date of grant for options granted during 2000, 1999 and 1998 was $6.33, $4.34 and $3.27 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes option pricing model utilizing the following assumptions:

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Risk-free interest rates.....	5.0% TO 6.7%	4.7% to 6.2%	4.41% to 5.63%
Expected option life in years.....	5	10	10
Expected stock price volatility.....	85% TO 94%	34% to 52%	49% to 86%
Expected dividend yield.....	0%	0%	0%

</TABLE>

Had the Company elected to recognize compensation cost based on the fair value of the options at the date of grant as prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," net loss in 2000, 1999 and 1998 would have been $8,007,000, $5,379,000 and $3,199,000 or $.57, $.54 and $.35 per share, respectively.

NOTE H -- INCOME TAXES

At December 31, 2000, the Company had approximately $26,682,000 of net operating loss carryforwards and $320,000 of research and development credit carryforwards for federal income tax purposes which expire as follows:

<TABLE>
<CAPTION>

YEAR	NET OPERATING LOSSES	RESEARCH AND DEVELOPMENT CREDITS
<S>	<C>	<C>
2006.....	$ 194,000	
2007.....	1,153,000	

2008	1,905,000	
2009	2,678,000	
2010	2,606,000	
2011	2,617,000	$ 51,000
2012	3,084,000	55,000
2018	2,493,000	53,000
2019	3,501,000	66,000
2020	6,451,000	95,000
	$26,682,000	$320,000

</TABLE>

At December 31, 2000 and 1999, the Company has a deferred tax asset of approximately $10,438,000 and $7,420,000, respectively, representing the benefits of its net operating loss and research and development credit carryforwards and certain expenses not currently deductible for tax purposes, principally related to the granting of stock options and warrants. The Company's deferred tax asset has been fully reserved by a valuation allowance since realization of its benefit is uncertain. The difference between the statutory tax rate of 34% and the Company's effective tax rate is due to the increase in the valuation allowance of $3,018,000 (2000), $1,520,000 (1999) and $1,000,000 (1998). The Company's ability to utilize its carryforwards may be subject to an annual limitation in future periods pursuant to Section 382 of the Internal Revenue Code of 1986, as amended. For the year ended December 31, 2000 the provision for taxes of $95,000 represented a current provision for state taxes based on capital.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE I -- COMMITMENTS AND OTHER MATTERS

[1] Leases:

The Company occupies office and laboratory space under two leases expiring through December 31, 2003. Minimum future annual rental payments are $290,000, $290,000 and $273,000 for the years ended December 31, 2001, 2002 and 2003, respectively.

Rent expense was approximately $269,000, $235,000 and $142,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

[2] Employment agreements:

The Company has employment agreements with two officers, which provide for annual base salaries of $200,000 and $90,000 (subject to annual increases of not less than 5% per year and bonuses at the discretion of the Board of Directors), for a period of five years and three years, respectively, commencing November 1998. In September 2000, the annual base salaries were adjusted to $250,000 and $145,000, respectively.

On December 31, 1998, the Company entered into an employment agreement with its Vice President for Drug Design. In connection with the employment agreement, the employee assigned to the Company certain technology. The agreement is for a period of three years commencing January 4, 1999 and shall be extended for successive twelve-month periods unless terminated by either party. The agreement, as amended provides for an annual base salary of $125,000, (subject to annual increases of 5% at the beginning of each calendar year, commencing on January 1, 2000) and the employee received 25,000 shares of the Company's common stock, which was valued at market value on the date of grant, in full consideration for the assignment of technology. In September 2000, the base salary was increased to $145,000. During 1999, the Company granted the employee options to purchase 75,000 shares of the Company's common stock. The Company also agreed to grant the employee bonus options to purchase up to 160,000 shares of the Company's common stock exercisable only upon reaching a certain milestone. As of December 31, 2000, no such bonus options were granted. The Company further agreed to pay royalties based on net revenues received from the sales of products that incorporate the technology and on net sublicense fees received from sublicensing the technology. The Company also agreed to reimburse the employee for certain expenses and to assume liability for certain payments

upon the realization of profit from the technology.

[3] Consulting agreements:

During 1996, the Company entered into an agreement with a consulting firm whereby the Company agreed to pay a fee of $3,000 per month, until the agreement is terminated by either party and to grant warrants to purchase 75,000 shares of common stock at $4.25 per share in return for financial advisory services. The warrants will be granted and become exercisable in the event a transaction introduced to the Company by the consulting firm is consummated, at which time the Company will record a noncash charge representing the fair value of the warrants.

In August 1998, the Company entered into an agreement with a consulting firm whereby the Company agreed to pay a fee of $35,000 in return for financial advisory services. In connection with the agreement, the Company issued five-year warrants to purchase 75,000 shares of common stock. Warrants for 50,000 shares vested on December 31, 1998 of which 37,500 have an exercise price of $7.00 per share and 12,500 have an exercise price of $8.00 per share. The Company determined the fair value of these warrants to be approximately $181,000, which was charged to operations. During 2000, 22,500 warrants at $7.00 per share were exercised. The remaining 25,000 warrants have an exercise price of $9.00 per share and vest only if a transaction introduced to the Company by the consulting firm is consummated, at which time the Company will record a noncash charge representing the fair value of the warrants.

In July 1999, the Company entered into an agreement with a consulting firm whereby the Company paid an engagement fee of $25,000 and agreed to pay $5,000 per month, until the agreement is terminated by either party. For a nominal amount, the Company sold to the consulting firm a warrant to purchase 150,000 common shares at $7.00 per share expiring on July 15, 2004. Warrants for 50,000 which vested immediately were granted upon signing the agreement; the Company determined the fair value of these warrants to be approximately $169,000, which was charged to operations. These warrants were exercised during 2000. The remaining 100,000 warrants become exercisable and a cash fee of less than $200,000 will be paid upon consummation of a transaction, as defined in the agreement.

In February 2000, the Company entered into an agreement with a consulting firm whereby the Company issued warrants to purchase 300,000 shares of common stock at $15 per share expiring on February 7, 2005. These warrants vested during 2000; the Company determined the fair value based on the Black-Scholes Option Pricing Model of these warrants to be approximately $1,852,000, which was charged to operations during 2000.

[4] Collaboration agreements:

(a) Agreements With Research and Development Institute, Inc. ("RDI"):

During June 1993, the Company entered into a research and license agreement with RDI of Montana State University pursuant to which the Company finances and RDI conducts research and development at Montana State University in the field of taxol producing organisms. In connection with the agreement, RDI has granted the Company an exclusive license and licensing rights to its patents and know-how throughout the world to develop and market products relating to the technology.

The Company has agreed to finance research to be conducted under the agreement and paid RDI an aggregate fixed fee of $250,000 per annum for four years commencing in 1993. In July 1998, the Company agreed to finance research for an additional year for $250,000. In addition, the Company has agreed to pay RDI royalties of up to 6% of net sales of products derived under the agreement with varying minimum royalty payments through June 1996 and $100,000 annually thereafter. The agreement was amended during May 1998 to require the Company to pay a percentage of royalties received with respect to the manufacture, use or sale of the inventions by sublicensees and a percentage of all up-front, milestone, and royalty payments which may be received under the agreement with Bristol-Myers Squibb (see Note D).

Under the agreement, the minimum royalties shall be credited against royalties paid in connection with the amendment.

(b) Agreements with Washington State University Research Foundation ("WSURF"):

In July 1996, the Company entered into an agreement with WSURF whereby the Company received an exclusive, world-wide license to use and/or sublicense patented technology or prospective patented technology (the "WSURF Technology"). In June 1998, the agreement was amended to cover additional patents. The Company was required to pay WSURF license fees of $7,500 per year commencing on July 1, 1997. The agreement was amended during May 1998 to require the Company to pay a percentage of royalties received with respect to the manufacture, use or sale of the inventions by sublicensees and a percentage of all up-front, milestone and royalty payments which may be received under the agreement with Bristol Myers Squibb (see Note D). In addition, the Company agreed to pay minimum royalties of $50,000 per year payable on July 1, 1999, $75,000 payable on July 1, 2000, and $100,000 payable on July 1, 2001 and annually thereafter. This agreement will remain in effect until the last to expire of the patents licensed under the WSURF Technology, subject to termination by either party. In conjunction with this agreement, the Company granted WSURF warrants to purchase 36,000 shares of common stock at $4.25 per share. An aggregate of 12,000 warrants per annum are exercisable commencing July 1999 and expire July 2002.

In July 1996, the Company entered into a research agreement with WSURF, as amended, for research to be conducted on behalf of the Company through July 2002 providing for funding of approximately $1,207,000. During 2000, 1999 and 1998, respectively, the Company incurred approximately $269,000, 288,000 and $185,000 of research costs under the agreement.

(c) Agreements with Regents of the University of California:

In February 1996, the Company entered into two license agreements ("Agreements") with the Regents of the University of California, granting to the Company exclusive rights to certain technology and patent rights. Pursuant to the Agreements, the Company paid license fees of $10,000 and $15,000 upon issuance of the patents. In addition, the Company must pay a yearly license maintenance fee for these licenses, aggregating $2,000 in the initial year, increasing by $4,000 in the second year and increasing by $6,000 per year until it reaches a maximum of $36,000, until the Company is commercially selling a product based on the technology derived from these license agreements, at which time a royalty based on net sales will be due.

In August 1998, the Company entered into an additional license agreement with the Regents of the University of California, granting to the Company exclusive rights to certain technology and patent rights. Pursuant to the agreement, the Company paid license fees of $20,000 and has agreed to pay $25,000 upon issuance of a patent. In addition, the Company must pay a yearly license maintenance fee of $2,000, increasing by $2,000 per year until it reaches a maximum of $12,000, until the Company is commercially selling a product based on the technology derived from these license agreements, at which time a royalty based on net sales will be due.

In July 2000, the Company entered into a license agreement with the Regents of the University of California, granting to the Company exclusive rights to certain technology and patent rights. Pursuant to the agreement, the Company paid license fees of $15,000 and has agreed to pay all past and future patent costs plus a 15% patent service fee. In addition, the Company must pay a yearly license maintenance fee of $10,000 until the Company is commercially selling a product based on the technology derived from the license agreement, at which time a royalty based on net sales will be due. Pursuant to this agreement the Company entered into two sponsored research agreements with third parties whereby the Company agreed to fund research for the period July 2000 through June 2003 and August 2000 to July 2003 in the amounts of $99,360 and $109,320, respectively, per annum.

(d) Agreements with Molecular Simulations Incorporated ("MSI"):

In June 2000, the Company entered into two, three year participation agreements with MSI in which the Company will participate with MSI and others in a project with the purpose of developing software to be used in the assignment and understanding of protein function and a project with the purpose to develop and validate rapid computer-based methods for x-ray structure determination and model building and provide a scientific forum for research of x-ray crystallographic methods for structure determination. Pursuant to the agreements, the Company is to pay $125,000 per year for membership in the software project and a total of $127,000 during the three years for membership in the x-ray project. Each participation agreement requires that the Company appoint at least one staff member to be an active participant in each project, act as liaison between MSI and the Company, provide non-proprietary input material in its possession which may be beneficial to the project and throughout the term of the projects, the Company is to be a valid licensee of the most recent version of certain commercially released software, as defined in the agreement. Under such software license agreements the Company is to pay approximately $174,000 over the three year term.

[5] Related party transactions:

Effective December 1996, the Company entered into a one-year agreement, which was extended in January 1998 for an additional year, with a stockholder of the Company, whereby the Company will receive financial and investment banking services for a consulting fee of $5,000 per month plus commissions, as defined. The Company paid approximately $339,000, $96,000 and $90,000 during 2000, 1999 and 1998, respectively, under this agreement, including reimbursable expenses. The stockholder acted as placement agent for the Company's 1998 private placement and, in consideration for its services as such, received a sales commission equal to 10% of the $5,633,675 gross proceeds, or $563,368, plus approximately $229,000 as an expense allowance together with other costs. The stockholder also received a unit purchase option, exercisable for a five-year period commencing April 2, 1998, to purchase 134,199 shares of Common Stock at prices ranging from $8.18 to $9.46 and Class E Warrants to purchase 67,101 shares of Common Stock exercisable at prices ranging from $9.82 to $11.35. In connection with the redemption of the Company's C and D warrants during 2000, the Company paid solicitation fees of approximately $1,921,000 which was charged to additional paid-in capital.

At December 31, 2000 the Company has two notes outstanding from its Vice President of drug design in the principal amounts of $138,195, due on April 30, 2002, and $140,000 due on September 1, 2003. Both notes which arose in connection with loans made to the officer bear interest at 9.75% per annum and accrued interest at December 31, 2000 was approximately $23,000 (included in prepaid expenses and other current assets).

In December 2000, the Company entered into a consulting agreement with a company owned by one of its Directors. The agreement calls for an annual retainer of $125,000, paid quarterly in advance, and is automatically renewed each year unless terminated by either party on 3 months notice.

[6] Contingency:

On February 28, 2001 the Company received a letter from a financial public relations consultant alleging that shares of the Company's common stock underlying certain options previously granted pursuant to a retainer agreement and option agreement (collectively, the "Agreements") in February 1996 were not registered timely. The consultant alleges that the Agreements contained certain registration rights. The total number of options issued to the consultant pursuant to the Agreements and a termination notice were for the purchase of 140,605 shares of common stock.

The consultant alleges that on January 28, 2000, in the belief that the shares underlying the options were fully registered, he sold 100,000 shares of the Company's common stock. The consultant further alleges that the broker executed the transaction for proceeds of $1,437,682 after consultation with the Company in the belief that the shares were registered. The consultant also

alleges that when the shares were put through for transfer they were advised that the shares could not be transferred as they had not been registered and that the consultant had to purchase 100,000 shares in the open market, which he did on March 20, 2000 at a cost of $1,668,290, incurring a loss of $230,614. On or about March 31, 2000, the Company registered 140,449 shares of common stock underlying the options.

The consultant is alleging that he sustained substantial losses for which he holds the Company responsible. The matter is in its early stage; however, the Company believes that this claim will not have a material adverse effect on the Company's financial position and results of operations.

NOTE J -- 401(K) PLAN

The Company maintains a defined contribution 401(k) plan available to eligible employees. Employee contributions are voluntary and are determined on an individual basis, limited to the maximum amount allowable under federal tax regulations. The Company made no contributions during 2000, 1999 and 1998.

NOTE K -- QUARTERLY RESULTS (UNAUDITED)

<TABLE>
<CAPTION>

	QUARTER ENDED				
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	TOTAL YEAR
<S>	<C>	<C>	<C>	<C>	<C>
2000					
Revenues.....	$ 344,000	$ 343,000	$ 67,000	$ 111,000	$ 865,000
Net loss.....	(2,419,000)	(1,295,000)	(1,958,000)	(1,493,000)	(7,165,000)
Loss per share -- basic and diluted(b).....	(0.22)	(0.09)	(0.13)	(0.09)	(0.51)
1999					
Revenues.....	$ 233,000	$ 250,000	$ 267,000	$ 625,000	$ 1,375,000
Net loss.....	(1,185,000)(a)	(827,000)	(1,012,000)	(1,433,000)	(4,357,000)
Loss per share -- basic and diluted(b).....	(0.11)(a)	(0.08)	(0.10)	(0.14)	(0.44)

</TABLE>

- ----------

(a) Includes $422,000 ($.04 per share) for cumulative effect on prior years of changing method of revenue recognition.

(b) Per common share amounts for the quarters and full year have been calculated separately. Accordingly, quarterly amounts do not add to the annual amount because of differences in the weighted average common shares outstanding during each period due to the effect of the Company's issuing shares of its common stock during the year.

EXHIBIT INDEX

<TABLE>

<C>	<S>
3.1	-- Certificate of Incorporation, as amended(l)
3.2	-- By-laws(l)
4.1	-- Specimen certificates representing Class C Warrants, Class D Warrants and Common Stock(l)
4.3	-- Form of Unit Purchase Option in connection with the Company's Initial Public Offering(l)
4.4	-- Warrant Certificate issued to the Washington State University Research Foundation(4)
10.1	-- Employment Agreement dated March 1, 1992 between the Company and Arthur P. Bollon, Ph.D, as amended(1)
10.2	-- Employment Agreement effective November 7, 1995 between

the Company and Daniel Shusterman, as amended(l)

10.3 -- 1992 Stock Option Plan, as amended(l)

10.4 -- Form of Stock Option Agreement(l)

10.5 -- Lease Agreement dated September 1, 1993 between the Company and Mutual Benefit Life Insurance Company In Rehabilitation(l)

10.6 -- Lease Agreement dated October 1, 1991 between the Company and J.K. and Susie Wadley Research Institute and Blood Bank, as amended(l)

10.7 -- Purchase Agreement dated October 10, 1991 between the Company and Wadley Technologies, Inc. ("Wadley")(1)

10.8 -- Security Agreement dated October 10, 1991 between the Company and Wadley(l)

10.9 -- License Agreement dated March 15, 1989 between the Company and Phillips Petroleum Company, as amended(l)

10.10 -- License Agreement dated June 10, 1993 between the Company and Research & Development Institute, Inc. ("RDI"), as amended, relating to the Paclitaxel Fermentation Production System(l)

10.11 -- Research and Development Agreement effective June 10, 1993 between the Company and RDI, as amended(l)

10.12 -- License Agreement dated February 22, 1995 between the Company and RDI, as amended, relating to FTS-2(l)

10.13 -- Research, Development and License Agreement dated March 26, 1992 between the Company and Enzon, Inc. ("Enzon"), as amended(l)

10.14 -- Research, Development and License Agreement dated July 13, 1992 between the Company and Enzon relating to the Company's tumor necrosis factor technology(l)

10.15 -- Agreement effective June 30, 1992 between the Company and University of Texas at Dallas ("UTD"), as amended(l)

10.16 -- Research Agreement effective April 8, 1994 between the Company and Sloan-Kettering Institute for Cancer Research(l)

10.17 -- Joint Venture Agreement dated September 17, 1992 between the Company and Pestka Biomedical Laboratories, Inc. ("Pestka")(1)

10.18 -- Stock Purchase Agreement dated September 17, 1992 between the Company and Pestka(l)

</TABLE>

<TABLE>
<S> <C>

10.19 -- License Agreement dated September 17, 1992 between Cytomune, Inc. and Pestka(l)

10.20 -- Research and Development Agreement dated September 17, 1992 between Cytomune, Inc. and Pestka(l)

10.21 -- Marketing Agreement dated as of November 1, 1994 between Helm AG and the Company(l)

10.22 -- Extension Agreement with RDI dated June 5, 1995(l)

10.23 -- Third Amendment to Lease Agreement dated April 30, 1995(l)

10.24 -- Form of Subordinated Note Extension(l)

10.25 -- Form of Note Extension(l)

10.26 -- September 25, 1995 RDI Extension(l)

10.27 -- October 25, 1995 RDI Extension(1)

10.28 -- Amendment to License Agreement dated June 10, 1993, as amended, and Research and Development Agreement effective June 10, 1993, as amended, both agreements between the Company and RDI(2)

10.29 -- License Agreement No. W960206 effective February 27, 1996 between the Company and The Regents of the University of California(2)

10.30 -- License Agreement No. W960207 effective February 27, 1996 between the Company and The Regents of the University of California(2)

10.31 -- License Agreement with the Washington State University, dated July 2, 1996(3)*

10.32 -- Amendment to Agreement, effective June 30, 1992, as amended, between the Company and the University of Texas at Dallas(3)

10.33 -- 1996 Stock Option Plan and Amendment No. 1 thereto(7)

10.34 -- Patent License Agreement, dated August 4, 1998, between The Regents of the University of California and the Company for Peptide Anti-estrogen for Breast Cancer Therapy(5)*

10.35 -- Master License Agreement, dated as of June 12, 1998, between the Company and Bristol-Myers Squibb Company(6)*

10.36 -- Sublicense Agreement, dated May 27, 1998, between the Company and Bristol-Myers Squibb under The Research & Development Institute, Inc. License Agreement, as amended, dated June 10, 1998(6)*

10.37 -- Sublicense Agreement, dated May 19, 1998, between the Company and Bristol-Myers Squibb Company under the Washington State University Research Foundation License Agreement,

dated June 8, 1996(6)*

10.38 -- Amended and Restated License Agreement, dated June 3, 1998, between the Washington State University Research Foundation and the Company(6)*

10.39 -- Amendment, dated May 27, 1998, to the License Agreement, dated June 10, 1993, between The Research and Development Institute, Inc. and the Company(6)*

10.40 -- 2000 Stock Option Plan

10.41 -- Employment Agreement dated March 21, 2001, between the Company and Ronald Lane Goode, Ph.D.

21 -- List of Subsidiaries -- None

23 -- Consent of Independent Auditors

</TABLE>

(4) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the fiscal year ended December 31, 2000.

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* Confidential portions omitted and filed separately with the U.S. Securities Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

(1) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (File No. 33-91802) and are incorporated by reference herein.

(2) Previously filed as an exhibit to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995.

(3) Previously filed as an exhibit to the Company's Post-Effective Amendment No. 1 to Form SB-2 (File No. 33-91802) and are incorporated by reference herein.

(4) Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-13409) and is incorporated by reference herein.

(5) Previously filed as an exhibit to the Post-Effective Amendment to the Company's Registration Statement on Form SB-2 on Form S-3 (File No. 333-13409) and is incorporated by reference herein.

(6) Previously filed as an exhibit to the Company's Current Report on Form 8-K (File No. 000-26078) and is incorporated by reference herein.

EXHIBIT 10.40

CYTOCLONAL PHARMACEUTICS, INC.

2000 STOCK OPTION PLAN

1. Purpose; Types of Awards: Construction

The purpose of the Cytoclonal, Inc. 2000 Stock Option Plan (the "PLAN") is to provide incentives to directors, officers, employees, independent contractors, advisers and consultants of Cytoclonal, Inc. (the "COMPANY") or any subsidiary of the Company which now exists or hereafter is organized or acquired by the Company, to acquire a proprietary interest in the Company, to increase their efforts on behalf of the Company and to promote the success of the Company's business. The Plan is intended to permit the Committee (as defined in Section 3 hereof) to issue options totaling 1,500,000 shares of the Company's common stock to directors, officers, employees, independent contractors, advisers and consultants of the Company. The Committee may grant options which shall constitute either "nonqualified stock options" ("NONQUALIFIED STOCK OPTIONS" or "ISO") or "incentive stock options" ("INCENTIVE STOCK OPTIONS") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Definitions

As used in this Plan, the following words and phrases shall have the meanings indicated:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Common Stock" shall mean shares of common stock, par value $.01 per share, of the Company.

(c) "Disability" shall mean the Optionee's incapacity due to physical or mental illness, as a result of which the Optionee shall have been absent from his duties of employment with the Company on a full-time basis for the entire period of three (3) consecutive months, and within thirty (30) days after written notice of termination is given by the Company (which notice may be given within thirty (30) days before or at any time after the end of such three month period) shall not have returned to the performance of such duties on a fulltime basis.

(d) "Fair Market Value" per share as of a particular date shall mean the value determined by the Committee in its discretion; provided, however, that in the event that there is a public market for the Common Stock, the fair market value is, if available, (i) the closing price of the Common Stock as of the date of grant as reported (in descending order of priority) on (A) a national securities exchange listing the Common Stock, (B) the NASDAQ Stock Market, (C) a national automated quotation system with daily trading volume in the Common Stock in excess of 10,000 shares, or (D) a regional securities exchange listing the Common Stock, or (ii) the average of the closing bid and asked prices of the Common Stock for the previous five trading days.

(e) "Option" or "Options" shall mean a grant to an Optionee of an option or options to purchase shares of Common Stock. Options granted by the Committee pursuant to the Plan shall constitute either Nonqualified Stock Options or Incentive Stock Options, as determined by the Committee.

(f) "Parent Corporation" shall mean any corporation (other than the Company) in an unbroken chain of corporations ending with the employer corporation if, at the time of granting an Option, each of the corporations other than the employer corporation owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(g) "Subsidiary Corporation" shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the employer corporation if, at the time of granting an Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(h) "Ten Percent Stockholder" shall mean an Optionee who, at the time an Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of its Parent or Subsidiary Corporations.

3. Administration

(a) The Plan shall be administered by a committee (the "COMMITTEE") established by the Board, the composition of which shall at all times consist of two (2) or more individuals who are each members of the Board. If no Committee is appointed by the Board, the functions of the Committee shall be carried out by the Board, provided, however, that if at any time the Corporation has outstanding a class of equity securities required to be registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Corporation shall use reasonable efforts to grant, designate or amend any Options hereunder through a committee consisting solely of two or more persons, each of whom shall qualify as (i) a "Non-Employee Director", as that term is defined in subparagraph (b)(3)(i) of Rule 16b-3 ("Rule 16b-3") promulgated under the 1934 Act, and (ii) an "outside director", within the meaning of Section 162(m) of the Code.

(b) The Committee shall choose one of its members as Chairman and shall hold meetings at such times and places as it shall deem advisable. A majority of the members of the Committee shall constitute a quorum and any action may be taken by a majority of those present and voting at any meeting. Any action may also be taken without the necessity of a meeting by a written instrument signed by all members of the Committee. The decision of the Committee as to all questions of interpretation and application of the Plan shall be final, binding and conclusive on all persons. The Committee shall have the authority to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan. The Committee

may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement (as defined in Section 8) in the manner and to the extent it shall deem expedient to carry the Plan into effect and shall be the sole and final judge of such expediency. No Committee member shall be liable for any action or determination made in good faith.

(c) The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Options; to determine the purchase price of the shares of Common Stock covered by each Option (the "OPTION PRICE"); to determine the persons to whom, and the time or times at which awards shall be granted, (such persons are referred to herein as "OPTIONEES"); to determine the number of shares to be covered by each award; to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the agreements (which need not be identical) entered into in connection with awards granted under the Plan; to cancel or suspend awards, as necessary; and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, PROVIDED, HOWEVER, that if at any time the Corporation has outstanding a class of equity securities required to be registered under Section 12 of the 1934 Act, the Committee may not delegate any of its responsibilities hereunder to any person who is not both a "Non-Employee Director", as that term is defined in subparagraph (b)(3)(i) of Rule 16b-3, and an "outside director", within the meaning of Section 162(m) of the Code. The Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. All

decisions, determinations and interpretations of the Committee shall be final and binding on all Optionees.

(d) The Board shall fill all vacancies, however caused.

(e) No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any award granted hereunder.

4. Eligibility

(a) Awards may be granted to directors, officers, employees, independent contractors, advisers and consultants of the Company. In determining the persons to whom awards shall be granted and the number of shares to be covered by each award, the Committee shall take into account the duties of the respective persons, their present and potential contributions to the success of the Company and such other factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

(b) Options designated as ISOs may be granted only to officers and other employees of the Company or any "subsidiary corporation" as defined in Section 424 of the Code. Non-Qualified Stock Options may be granted to any officer, employee, director, independent

contractor, adviser, or consultant of the Company or of any Subsidiary Corporation. Non-Qualified Stock Options may be granted to an individual in connection with the hiring or engagement of the individual prior to the date that the individual first performs services for the Company or any Subsidiary Corporation.

5. Common Stock Subject to the Plan

(a) The maximum number of shares of Common Stock reserved for the grant of Options shall be 1,500,000. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company.

(b) If any outstanding award under the Plan should, for any reason expire, be canceled or be terminated, without having been exercised in full, the shares of Common Stock allocable to the unexercised, canceled or terminated portion of such award shall (unless the Plan shall have been terminated) become available for subsequent grants of awards under the Plan.

(c) Stock issuable upon exercise of an option granted under the Plan may be subject to such restrictions on transfer, repurchase rights or other restrictions as shall be determined by the Committee.

6. Incentive Stock Options

Options granted pursuant to this Section 6 are intended to constitute Incentive Stock Options and shall be subject to the following special terms and conditions, in addition to the general terms and conditions specified in Section 8 hereof.

(a) Vesting. Options granted shall vest 50% on the first anniversary of the date of grant and the remainder 50% on the second anniversary and the exercise prices of such options shall be determined by the Compensation Committee at the time of grant.

(b) Value of Shares. The aggregate Fair Market Value (determined as of the date that Incentive Stock Options are granted) of the shares of Common Stock with respect to which Options granted under this Plan and all other option plans of the Company and any Parent or Subsidiary Corporation that become exercisable for the first time by an Optionee during any calendar year shall not exceed $100,000.

(c) Ten Percent Stockholders. In the case of an Incentive Stock Option granted to a Ten Percent Stockholder, (i) the Option Price shall not be less than one hundred ten percent (110%) of the Fair Market Value of the shares of

Common Stock on the date of grant of such Incentive Stock Option, and (ii) the exercise period shall not exceed five (5) years from the date of grant of such Incentive Stock Option.

7. Nonqualified Stock Options

Options granted pursuant to this Section 7 are intended to constitute Non-Qualified Stock Options and shall be subject only to the general terms and conditions specified in Section 8 hereof.

8. Terms and Conditions of Options

Each Option granted pursuant to the Plan shall be evidenced by a written agreement between the Company and the Optionee in such form as the Committee shall from time to time approve (the "OPTION AGREEMENT"), which Option Agreement shall be subject to and set forth the following terms and conditions:

(a) Number of Shares. Each Option Agreement shall state the number of shares of Common Stock to which the option relates.

(b) Type of Option. Each Option Agreement shall specifically state whether the Option constitutes a Non-Qualified Stock Option or an Incentive Stock Option.

(c) Option Price. The option price or prices of shares of the Company's Common Stock for options designated as Non-Qualified Stock Options shall be as determined by the Committee, but in no event shall the option price be less than the minimum legal consideration required therefor under the laws of the State of Delaware or the laws of any jurisdiction in which the Company or its successors in interest may be organized. The option price or prices of shares of the Company's Common Stock for ISOs shall be the Fair Market Value of such Common Stock at the time the option is granted as determined by the Committee.

(d) Method and Time of Payment. Each Option Agreement shall require that the Option Price be paid in full, at the time of exercise of an Option, in cash, by certified or cashier's check.

(e) Term and Exercisability of Options. Except as otherwise provided in this Section 8 or Section 9 hereof or unless otherwise determined by the Committee and set forth in the Option Agreement, at the discretion of the Committee, options may become exercisable in such number of cumulative installments as the Committee may establish, provided, however, no option may be exercisable until at least six months and one day from the date of grant provided, however, that, the Committee shall have the authority to accelerate the exercisability of any outstanding at such time and under such circumstances as it, in its sole discretion, deems appropriate. Except as specifically provided in Sections 8(f) and 8(g) hereof, all Options shall expire ten (10) years from the date of grant of such Option (five (5) years in the case of an Incentive Stock Option granted to a Ten Percent Stockholder) or on such earlier date as may be prescribed by the Committee and set forth in the Option Agreement. An Option may be exercised, as to any or all full shares of Common Stock as to which the Option has become exercisable, by giving written notice of such exercise to the Committee or its designated agent; provided, however, that an Option may not be exercised at any one time as to fewer than 100 shares (or such number of shares as to which the Option is then exercisable if such number of shares is less than 100).

(f) Termination of Employment. Except as provided in this Section 8(f) and in Sections 8(e) and (h) hereof, each Option granted hereunder shall expire, to the extent not theretofore exercised, sixty (60) days after the date the Optionee ceases to be employed by the Company or any of its Parent or Subsidiary Corporations (or on such other date as may be prescribed by the Committee and set forth in any Option Agreement).

(g) Death or Disability of Optionee. If an Optionee shall die while employed by the Company or a Parent or Subsidiary Corporation (or within such longer period as the Committee may have provided pursuant to Section 8(f) hereof), or if the Optionee's employment shall terminate by reason of

Disability, all Options theretofore granted to such Optionee (to the extent otherwise exercisable) may, unless earlier terminated in accordance with their terms, be exercised by the Optionee or by the Optionee's estate or by a person who acquired the right to exercise such Options by bequest or inheritance or otherwise by reason of the death or Disability of the Optionee, at any time within three (3) months after the date of death or one (1) year after the date of Disability of the Optionee; provided, however, that the Committee may, in any Option Agreement, extend such period of exercisability. In the event that an Option granted hereunder shall be exercised by the legal representatives of a deceased or former Optionee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or equivalent proof of the right of such legal representative to exercise such option.

(h) Other Provisions. The Option Agreements evidencing Options under the Plan shall contain such other terms and conditions, not inconsistent with the Plan, as the Committee may determine.

9. Effect of Certain Changes

(a) If there is any change in the shares of Common Stock through the declaration of extraordinary dividends, stock dividends, re-capitalization, stock splits, or combinations or exchanges of such shares, or in the event of a sale of all or substantially all of the assets of the Company (an "ASSET SALE"), or the merger or consolidation of the Company with or into another corporation (a "MERGER"), or in the event of other similar transactions, the Committee shall promptly make an appropriate adjustment to the number and class of shares of Common Stock available for awards, to the number of shares covered by outstanding awards after the effective date of such transaction, and, if applicable, to the price thereof; provided, however, that any fractional shares resulting from such adjustment shall be eliminated.

(b) In the event of the dissolution or liquidation of the Company, in the event of any corporate separation or division, including, but not limited to, split-up, split-off or spin-off or in the event of other similar transactions, the Committee may provide that:

(i) the Optionee of any Option shall have the right to exercise such Option; and/or

(ii) each Option granted under the Plan shall terminate as of a date to be fixed by the Committee, and that not be less than thirty (30) days notice of the date so fixed shall be given to each Optionee, who shall have the right, during the period of thirty (30) days preceding such termination, to exercise (to the extent exercisable) with respect to such Option all or any part of the shares of Common Stock covered thereby.

(c) In the event of an Asset Sale or a Merger, any award then outstanding may be assumed or an equivalent award may be substituted by such successor corporation or a parent or subsidiary of such successor corporation. If such successor corporation does not agree to assume the award or to substitute an equivalent award, the Board may, in lieu of such assumption or substitution, provide for the realization of such outstanding award in the manner set forth in subsections 9(b)(i) or 9(b)(ii) above.

(d) In the event of a change in the Common Stock of the Company as presently constituted that is limited to a change of all of its authorized shares of Common Stock into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of the Plan.

(e) Except as hereinbefore expressly provided in this Section 9, the Optionee of an award hereunder shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, Merger or spin- off of assets or stock of another company; and any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an award. The grant of an award pursuant to the Plan shall not affect in any way the right or power

of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets or engage in any similar transactions.

10. Period During Which Options May Be Granted

Awards may be granted pursuant to the Plan from time to time within a period of ten (10) years from the date the Plan is adopted by the Board, or the date the Plan is approved by the stockholders of the Company, whichever is earlier.

11. Nontransferability of Awards

The right of any Optionee to exercise any option granted to him or her shall not be assignable or transferable by such Optionee otherwise than by will or the laws of descent and distribution, or pursuant to a domestic relations order, and any such option shall be exercisable during the lifetime of such Optionee only by him; provided, however, that the Committee may permit the further transferability on a general or specific basis and may impose conditions and limitations on any permitted transferee. Any option granted under the Plan shall be null and void and without effect upon the bankruptcy of the Optionee to whom the option is granted, or upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, divorce, except as provided above with respect to Non-Qualified Stock Options, trustee process or similar process, whether legal or equitable, upon such option.

12. Beneficiary

An Optionee may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Optionee, the executor or administrator of the Optionee's estate shall be deemed to be the Optionee's beneficiary.

13. Agreement by Optionee Regarding Withholding Taxes

If the Committee shall so require, as a condition of exercise of an Option granted hereunder, each Optionee shall agree that no later than the date of exercise, the Optionee will pay to the Company or make arrangements satisfactory to the Committee regarding payment of any federal, state or local taxes of any kind required by law to be withheld upon the exercise of an Option. To the extent provided in the applicable Option Agreement, such payment may be made by the Optionee with shares of Common Stock (whether previously owned by, or issuable upon the exercise of an Option awarded to, such Optionee) having a Fair Market Value equal to the amount of such taxes. Alternatively, the Committee may provide that an Optionee may elect, to the extent permitted or required by law, to have the Company deduct federal, state and local taxes of any kind required by law to be withheld upon the exercise of an Option from any payment of any kind due to the Optionee.

14. Rights as a Stockholder

An Optionee or a transferee of an award shall have no rights as a stockholder with respect to any shares of Common Stock covered by the Option until the date of the issuance of a stock certificate to him for such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 9 hereof.

15. No Rights to Employment

Nothing contained in the Plan or in any option granted under the Plan shall confer upon any option holder any right with respect to the continuation of his employment by the Company (or any subsidiary) or interfere in any way with the right of the Company (or any subsidiary), subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the option holder from the rate in existence at the time of the grant of an option. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Committee at the time.

16. Approval of Stockholders

The Plan, and any grants of Options thereunder, shall be subject to approval by the holder(s) of a majority of the issued and outstanding shares of the Company's capital stock which are entitled to vote on the subject matter thereof and are present in person or represented by proxy at a duly-called meeting of the stockholders of the Company which approval must occur within one year after the date that the Plan is adopted by the Board. In the event that the stockholders of the Company do not approve the Plan at a meeting of the stockholders at which such issue is considered and voted upon, then, upon such event, this Plan and all rights hereunder or under any Option Agreement entered into in connection herewith shall immediately terminate and no Optionee (or any permitted transferee thereof) shall have any remaining rights under the Plan.

17. Amendment and Termination of the Plan

The Board at any time and from time to time may suspend, terminate, modify or amend the Plan; provided, however, that any amendment that would materially increase the aggregate number of shares of Common Stock as to which awards may be granted under the Plan or materially increase the benefits accruing to Optionees under the Plan or materially modify the requirements as to eligibility for participation in the Plan shall be subject to the approval of the holders of a majority of the Common Stock issued and outstanding, except that any such increase or modification that may result from adjustments authorized by Section 9 hereof shall not require such approval. Except as provided in Section 9 hereof, no suspension, termination, modification or amendment of the Plan may adversely affect any award previously granted, without the express written consent of the Optionee.

18. Compliance with Section 16(b)

In the case of Optionees who are or may be subject to Section 16 of the 1934 Act, it is the intent of the Company that the Plan and any award granted hereunder satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the 1934 Act and will not be subjected to liability thereunder. If any provision of the Plan or any award would otherwise conflict with the intent expressed herein, that provision, to the extent possible, shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, such provision shall be deemed void as applicable to Optionees who are or may be subject to Section 16 of the 1934

19. Restrictions on Issue of Shares.

(a) Notwithstanding the provisions of Section 8, the Company may delay the issuance of shares of Common Stock covered by the exercise of an option and the delivery of a certificate for such shares of Common Stock until the delivery or distribution of any shares of Common Stock issued under this Plan complies with all applicable laws (including without limitation, the Securities Act of 1933, as amended), and with the applicable rules of any stock exchange upon which the shares of Common Stock of the Company are listed or traded.

(b) It is intended that all exercises of options shall be effective, and the Company shall use its best efforts to bring about compliance with all applicable legal and regulatory requirements within a reasonable time, except that the Company shall be under no obligation to qualify shares of Common Stock or to cause a registration statement or a post- effective amendment to any registration statement to be prepared for the purpose of covering the issue of shares of Common Stock in respect of which any option may be exercised, except

as otherwise agreed to by the Company in writing.

20. Loans.

The Company may make loans to Optionees to permit them to exercise options. If loans are made, the requirements of all applicable Federal and state laws and regulations regarding such loans must be met.

21. Modification of Outstanding Options.

The Committee may authorize the amendment of any outstanding option with the consent of the Optionee when and subject to such conditions as are deemed to be in the best interests of the Company and in accordance with the purposes of this Plan.

22. Reservation of Stock.

The Company shall at all times during the term of the Plan reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

23. Limitation of Rights in the Option Shares.

Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to the Company, to its principal place of business, attention: President, and, if to an Optionee, to the address as appearing on the records of the Company.

24. Governing Law

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware without giving effect to the conflict of laws principles thereof.

25. Effective Date and Duration of the Plan.

This Plan shall, subject to Section 16 hereof, be effective as of June 30, 2000, the date of its adoption by the Board of Directors, and shall terminate on the later of (a) the tenth anniversary of the date so determined or (b) the last expiration of awards granted hereunder.

EXHIBIT 10.41

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made and entered into as of March 21, 2001, by and between RONALD L. GOODE, an individual (the "EXECUTIVE"), and CYTOCLONAL PHARMACEUTICS INC., a Delaware corporation (the "COMPANY").

WITNESSETH:

WHEREAS, the Company desires that the Executive be employed by it as its President and Chief Executive Officer, and Executive is willing to be so employed and to render services in such capacity to the Company, all upon the terms and subject to the conditions contained herein.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements hereinafter set forth, the Company and the Executive hereby agree as follows:

1. EMPLOYMENT.

The Company hereby employs the Executive as its President and Chief Executive Officer, and the Executive hereby accepts such employment, on the terms and subject to the conditions set forth in this Agreement.

2. SERVICES TO BE RENDERED.

2.1 Services to the Company. The Executive shall serve the Company faithfully, diligently and to the best of his ability under the direction of the Board of Directors of the Company. The Executive shall devote all of his business time, energies and skill to his duties hereunder and to the business and affairs of the Company. Notwithstanding the foregoing, the Executive shall be permitted to engage in charitable and civic activities, manage his personal passive investments, and serve on the Board of Directors of other companies with the prior consent of the Board of Directors of the Company, provided that such activities do not materially interfere with the performance of his duties or responsibilities under this Agreement; and further provided, that the Company acknowledges, agrees and consents to the Executive's participation to the extent set forth therein in the activities set forth on Schedule 2.2 hereto and to the Executive's right to receive the compensation related to such activities, including, without limitation, as set forth on Schedule 2.2.

2.2 Duties. During the Employment Period (as defined in Paragraph 3 below), the Executive shall have the titles and position of President and Chief Executive Officer of the Company. The Executive shall perform such executive and managerial duties and responsibilities customary to his office and as are reasonably necessary to the operations of the Company and as may be assigned to him from time to time by or under authority of the Board, consistent with his position as President and Chief Executive Officer of the Company. The Executive shall report solely and directly to the

Board of Directors of the Company. The Board of Directors shall meet on or before the commencement of the Employment Term to approve the appointment of the Executive as a member thereof. In furtherance of the foregoing, during the Employment Period and subject to the authority of the Board, the Executive shall have the responsibility for the general management, day-to-day operations of the Company and the long-term planning of the Company.

2.3 Principal Place of Employment. The principal place of employment of the Executive shall be the Company's offices located in Dallas, Texas, subject to travel requirements of his position and duties hereunder.

3. TERM.

The employment of Executive by the Company hereunder (the "EMPLOYMENT PERIOD") shall commence on the date hereof and shall continue through and including March 20, 2004, unless sooner terminated pursuant to the provisions of this Agreement. The employment of Executive hereunder shall be automatically renewed on a year-to-year basis on the same terms and conditions as the immediately preceding year, unless either party hereto, not less than one hundred eighty (180) days prior to the end of the initial or a renewal term

hereof, serves notice on the other party of his or its intention not to renew this Agreement for an additional one-year term.

4. COMPENSATION.

In consideration of the performance by the Executive of his duties and obligations hereunder, the Company shall pay to the Executive and the Executive agrees to accept, as full compensation therefor, the compensation set forth in this Agreement.

4.1 Salary. The Company agrees to pay the Executive a salary (the "BASE COMPENSATION") at the rate of $350,000 per annum during the term of employment hereunder. The Base Compensation shall be payable in accordance with the Company's customary payroll practices as in effect from time to time.

4.2 Annual Bonus.

(1) In addition to the Base Compensation, the Company may pay the Executive an annual bonus payment (the "BONUS PAYMENT") with respect to each calendar year during the Employment Period (or for such portion of any such calendar year included within the Employment Period, on a pro rata basis) in such amount, if any, as shall be determined by the Board of Directors in its sole discretion. The maximum Bonus Payment to which the Executive shall be entitled in any calendar year shall be in the amount of sixty (60%) percent of the Executive's then current Base Compensation, with such amount to be awarded only for performance by the Executive deemed in the discretion of the Board of Directors to be exceptional, it being understood by the parties that the Bonus Payment in other years may range between ten (10%) percent and fifty (50%) percent of then current Base Compensation.

(2) The Company shall make the Bonus Payment as soon as practicable after the first meeting of the Compensation Committee of the Board of Directors after the end of the calendar year with respect to which the Bonus Payment is payable.

4.3 Stock Options. Concurrently with the execution of this Agreement, the Company shall grant to the Executive an option to purchase up to 400,000 shares of the Company's Common Stock (the "Stock Option") at an option price equal to the closing bid price on March 12, 2001, all subject to [the terms and conditions set forth in a Stock Option Agreement (the "AWARD AGREEMENT") entered into between the Company and the Executive as of an even date herewith], and to be administered in accordance with the terms, conditions and vesting schedule of the Company's 2000 Stock Option Plan. In addition, you shall be eligible to receive at the sole discretion of the Board of Directors additional stock option grants from time to time.

4.4 Annual Review. The Company's Board of Directors shall review the Executive's performance after the end of each fiscal year and determine, in its sole discretion, whether to increase his Base Compensation.

5. BENEFITS.

5.1 Benefit Plans. During the Employment Period, the Executive and, to the extent eligible, his dependents shall be entitled to participate in the regular health, disability and other benefit programs of the Company and other perquisites on the same basis that the senior executive officers of the Company participate therein. The Executive shall be entitled, during the Employment Period, to an annual paid vacation of four (4) weeks and the same holidays and other paid leave entitlements as are enjoyed by other senior executive officers of the Company.

5.2 Relocation. The Company shall reimburse the Executive for reasonable out-of-pocket expenses incurred by him in connection with his relocation to Dallas, Texas as provided in Section 2.3, to the extent same are presented by Executive to, and approved in advance by, the Chairman of the Board of Directors (the "Chairman") of the Company. Relocation expenses shall include, but not necessarily be limited to, packing, moving, transportation costs, brokerage and legal fees on the sale of his home in Illinois and purchase of his new home in the Dallas area and other such expenses related to his relocation in

an amount which shall be mutually agreed between the Executive and the Chairman.

5.3 Housing Allowance. Until such time as the Executive shall have relocated on a permanent basis to the Dallas area, he shall receive a monthly housing allowance in an amount to be agreed upon between the Executive and the Chairman.

5.4 Automobile. The Company shall provide the Executive with exclusive use of a leased automobile during the Employment Period and shall pay for the cost of insurance premiums, gas, oil and routine maintenance in connection therewith, except in connection with its use for personal, non-business reasons.

5.5 Club Dues. The Company shall pay for the Executive's membership entry fee(s) and membership dues in and related expenses of an appropriate country club or equivalent club to be used for necessary and reasonable business purposes, it being understood and agreed between the Company and the Executive that any expenses incurred by the Executive for non-business, purely personal reasons shall be reimbursed by the Executive to the Company.

6. EXPENSES.

The Company shall reimburse the Executive for reasonable out-of-pocket expenses properly incurred by him on behalf of and directly for the benefit of the Company, in the performance of his duties hereunder and in accordance with policies of the Company set by the Board of Directors of the Company; provided, that proper written vouchers are submitted to the Company by the Executive evidencing such expenses and the purposes for which the same were incurred.

7. PAYMENTS ON DEATH, DISABILITY OR TERMINATION BY EXECUTIVE.

7.1 Death. In the event of the death of Executive during the Employment Period, the Employment Period shall terminate on the date of the Executive's death and the designated beneficiaries, or if no such beneficiaries shall have been designated by the Executive, the personal representative, of the Executive shall be entitled to receive: (a) any accrued and unpaid Base Compensation and benefits described in Section 5 ("BENEFITS") through the date of Executive's death, (b) the Bonus Payment, if any, with respect to the fiscal year in which Executive's death occurs multiplied by a fraction the numerator of which is the number of days from the first day of such fiscal year until the date of Executive's death and the denominator of which is 365; provided, however, such Bonus Payment shall not be less than the pro-rated amount of the Bonus Payment made to the Executive with respect to the year immediately preceding the year in which the Executive's employment is terminated due to the Executive's death; (c) any and all vested Stock Option Awards (in accordance with Section 4.3 hereof) plus any such awards that shall vest within 3 months after the date of Executive's death, with attendant full rights of exercise; and (d) at no cost to the Executive, his family or estate, continued coverage under the Company's group health insurance plan for the Executive's eligible dependents for the remainder of the Employment Period. The Executive's designated beneficiaries or personal representatives shall accept the payments provided for in this Section 7.1 in full discharge and release of the Company of and from any other obligations under this Agreement.

7.2 Disability. If, during the Employment Period, in the opinion of a duly licensed physician approved by the parties, the Executive, because of physical or mental illness or incapacity, shall be substantially unable to perform his principal duties and services hereunder in the manner previously performed for an aggregate of one hundred eighty (180) days in any three hundred sixty five (365) day period, the Company shall have the right to terminate his employment hereunder by sending written notice of such termination to the Executive (at any time after the expiration date of such one hundred eighty (180) day period), and thereupon Executive's employment pursuant to this Agreement shall terminate. In the event of such termination, the Executive shall be entitled to receive: (a) any accrued and unpaid Base Compensation and Benefits through the date of termination, (b) at no cost, a continuation of the health insurance Executive received during the term of his

employment or other insurance comparable thereto for a period of one year after the date of termination and (c) the Bonus Payment, if any, with respect to the fiscal year in which the termination occurs multiplied by a fraction the numerator of which is the number of days from the first day of such fiscal year until the date of termination and the denominator of which is 365; provided, however, such Bonus Payment shall not be less than the pro-rated amount of the Bonus Payment made to the Executive with respect to the year immediately preceding the year in which the Executive's employment is terminated due to the Executive's disability. The Executive shall accept the payments provided for in this Section 7.2 in full discharge and release of the Company of and from any further obligations under this Agreement.

7.3 Termination By Executive Without Good Reason. The Executive shall have the right at any time during the Employment Period to terminate his employment with the Company other than for Good Reason by giving 120 days written notice thereof to the Company. If the Executive terminates his employment other than for Good Reason (as hereinafter defined), the Executive shall be entitled to receive any accrued and unpaid Base Compensation and Benefits through the date of termination. The Executive shall accept the payments provided for in this Section 7.3 in full discharge and release of the Company of and from any other obligations under this Agreement.

8. TERMINATION OF EMPLOYMENT BY THE COMPANY FOR CAUSE.

8.1 Right to Terminate. The Company shall have the right to terminate the employment of the Executive for "CAUSE" upon any one of the following events:

(1) if Executive shall materially breach, violate or fail to perform any of the material covenants (including the obligation to perform his duties hereunder), representations, terms or conditions of this Agreement and shall fail to cure such breach, violation or default within thirty (30) days after written notice thereof from the Company, which notice shall specify the specific nature of the claimed breach and, if curable, the manner in which the Company requires such breach to be cured; or

(2) other conduct of the Executive involving any material dishonesty or breach of fiduciary duty to the Company which has a material adverse effect on the Company or its reputation, or gross negligence or willful misconduct with respect to the Company, including, without limitation, fraud, embezzlement, theft or proven material dishonesty in the course of his employment, or a conviction of or the entry of a plea of guilty or nolo contendere to a crime involving moral turpitude or where his continued employment by the Company after indictment for a crime otherwise has or may have, as reasonably determined by the Board of Directors, a material adverse effect on the Company or its reputation.

8.2 Notice of Termination. In the event the Company elects to terminate the employment of the Executive for Cause as set forth above in Section 8.1, the Company shall give the Executive written notice of such termination which states the reasons relied upon by the Company in effecting such termination. The Executive shall have the opportunity to appear before the Board of Directors of the Company, with his counsel, to dispute the Company's decision to terminate the

Executive for Cause. If after the Executive's appearance before the Board of Directors of the Company, the Board determines that the Executive should be terminated for Cause, the Company shall be entitled to terminate the Employment Period and to discharge the Executive for Cause effective upon the giving of written notice as contemplated by this Section 8.2. If the Executive is terminated for Cause, no payments of any type shall be made or shall be payable to the Executive hereunder from the effective date of such termination other than the Base Compensation, any accrued and unpaid bonus payments through the last day of the year immediately preceding the year in which the Executive's employment is terminated, and Benefits accrued and unpaid through the effective date of such termination.

9. PAYMENTS ON TERMINATION OF EMPLOYMENT AFTER A CHANGE IN CONTROL, BY THE COMPANY WITHOUT CAUSE OR BY THE EXECUTIVE FOR GOOD REASON.

9.1 Payments. Notwithstanding anything in this Agreement to the contrary, the Company may terminate the Executive's employment hereunder at any time without Cause. If, during the Employment Period, the Company terminates the Executive's employment hereunder without Cause or after a Change in Control, or the Executive terminates his employment hereunder for Good Reason or after a Change in Control, then and in any such event the Executive shall be entitled to receive: (a) any accrued and unpaid Base Compensation and Benefits through the date of termination, (b) at no cost, a continuation of the health insurance Executive received during the term of his employment or other insurance comparable thereto until the later of (x) March 20, 2004 or (y) eighteen (18) months after the date of termination and (c) the Bonus Payment, if any, with respect to the fiscal year in which the termination occurs multiplied by a fraction the numerator of which is the number of days from the first day of such fiscal year until the date of termination and the denominator of which is 365. In addition, if the Executive shall be terminated without Cause prior to March 21, 2003, he shall be entitled to receive the Base Compensation at the rate in effect immediately prior to the date of termination for a period of twenty-four (24) months from the date of termination. If the Executive shall be terminated without Cause after March 20, 2003, he shall be entitled to receive the Base Compensation at the rate in effect immediately prior to the date of termination for a period of eighteen (18) months from the date of termination. In the event that the Executive is terminated without Cause, regardless of when such termination is effected, then, in addition to all other benefits to which he is entitled, the Executive's yet unvested Stock Options, if any, shall immediately vest with no diminution in any attendant exercise period. The Company shall pay such Base Compensation in accordance with its customary payroll practices. The Executive shall be under no obligation to mitigate his damages or to seek other employment and if the Executive obtains other employment, any compensation earned by the Executive therefrom shall not reduce the Company's severance obligations under this Paragraph 9.1. Notwithstanding any other provision of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Executive in connection with the Executive's employment with the Company (or termination thereof) would subject the Executive to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "EXCISE TAX"), and if the net-after tax amount (taking into account all applicable taxes payable by the Executive, including any Excise Tax) that the Executive would receive with respect to such payments or benefits does not exceed the net-after tax amount the Executive would receive if the amount of such payments and benefits were reduced to

the maximum amount which could otherwise be payable to the Executive without the imposition of the Excise Tax, then, to the extent necessary to eliminate the imposition of the Excise Tax, (a) such cash payments and benefits shall first be reduced (if necessary, to zero) and (b) all other non-cash payments and benefits shall next be reduced.

9.2 Change in Control. For purposes hereof, a "CHANGE IN CONTROL" shall be deemed to have occurred if: (i) a third person other than Shareholders on the date hereof or their Affiliates, including a "group" as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the direct or indirect beneficial owner of shares of the Company having more than fifty percent (50%) of the total number of votes that may be cast for the election of directors of the Company, (ii) the Company sells all or substantially all of its assets, (iii) the Company enters into any transaction in which more than fifty percent (50%) of the Company's voting power is transferred to Persons other than the Shareholders on such date or their Affiliates or (iv) the shareholders of the Company approve a dissolution or complete liquidation of the Company. Shareholders means the Shareholders of the Company on the date hereof and Affiliates means any Persons controlled by, controlling or under common control with any Shareholder. Person means any person or entity.

9.3 Good Reason. For purposes hereof, "GOOD REASON" shall mean:

(1) a material breach by the Company of any of its material obligations under this Agreement, including the payment of salary, bonus, or benefits, if such breach is not curable or, if curable, is not cured within fifteen (15) days after written notice thereof by Executive to the Company;

(2) a reduction in the amount of Executive's then current salary or the termination or reduction of any material employee benefit or perquisite

enjoyed by Executive (other than in the amount of any Bonus Payments or as a result of changes by the Company to employee benefit plans applicable generally to a class of employees);

(3) a material diminution in Executive's duties or the assignment to Executive of duties which are materially inconsistent with Executive's position or which materially impair Executive's ability to function as the President and Chief Executive Officer of the Company or Executive ceasing to have a title of President and Chief Executive Officer; or

(4) the occurrence of a Change in Control.

10. NON-COMPETITION; NON-SOLICITATION OF EMPLOYEES AND CLIENTS; CONFIDENTIAL INFORMATION; INJUNCTIVE RELIEF.

10.1 Non-Competition. The Executive agrees that during the Limitation Period (as hereinafter defined), without the prior written consent of Company's Board of Directors, (x) he shall not anywhere in the United States, directly or indirectly, for himself, or as agent of or on behalf of, or in conjunction with, any person, firm, corporation or other entity, engage or participate in or become employed by or render advisory or other services to or for any person, firm, corporation or

other entity that is in direct competition with the Company nor (y) shall he invest or otherwise become interested in, as principal, partner, officer, director or stockholder (otherwise than through the ownership of not more than five percent (5%) of the outstanding voting securities of any corporation which is listed on a national securities exchange or whose securities are regularly traded in the over-the-counter market) of, any such person, firm, corporation or other entity.

10.2 Non-Solicitation. The Executive agrees that during the Limitation Period he shall not, without the prior written consent of the Company's Board of Directors, directly or indirectly through any other person, firm or corporation: (a) solicit, raid, entice or induce any employee of the Company to become employed by any other person, firm, corporation or other entity, (b) approach any such employee for such purpose or (c) authorize or knowingly approve the taking of such actions by any other person, firm, corporation or other entity or assist any person, firm, corporation or other entity in taking such action. The Executive also agrees that until the expiration of the Limitation Period, without the prior written consent of the Company's Board of Directors, he shall not directly or indirectly through any other person, firm, corporation or other entity, solicit, raid, entice or induce any person, firm or corporation who is, or at any time during the one year period immediately preceding the date of termination of the Executive's employment with the Company was, a customer of the Company to become a customer of any other person, firm, corporation or other entity which is engaged in any business activity which is in competition with any of the business, operations or activities conducted by the Company during the term of this Agreement and the Executive shall not approach any such customer for such purpose or authorize or knowingly approve the taking of such actions by any other person.

10.3 Non-Disclosure. The Executive acknowledges that all trade secrets, information, knowledge and data concerning the Company not generally known to or obtainable by the public ("CONFIDENTIAL INFORMATION"), including, without limitation, that relating to business methods, marketing plans, operations, research and development, business affairs, technology, products, services and pricing which the Executive has created or received or shall hereafter create or receive as an employee of the Company are valuable and unique assets of the Company. The Executive agrees that, during and after the term of this Agreement, he shall not (otherwise than pursuant to his duties hereunder) directly or indirectly use or disclose, without the prior written consent of the Company's Board of Directors, any such knowledge or information pertaining to the Company, to any person, firm, corporation or other entity, for any reason or purpose whatsoever. Notwithstanding the foregoing, the Executive shall have no obligation with respect to any information which is generally available to or obtainable by the public (other than through a breach of this Agreement) or that he is legally compelled to disclose. In the event that the Executive becomes legally compelled to disclose any Confidential Information, the Executive shall provide the Company with prompt written notice so that it may seek a protective

order or other appropriate remedy. The Executive further agrees that all memoranda, notes, records and other documents made available to or created by the Executive during the term of this Agreement concerning the business of the Company shall be the Company's property and shall be delivered to the Company upon the termination of his employment or at any other time on request of the Company's Board of Directors.

10.4 Survival. The provisions of this Section 10 shall survive the expiration or termination of this Agreement, irrespective of the reason therefor.

10.5 Specific Performance. The Executive acknowledges that a breach of any of the provisions contained in this Section 10 will cause the Company great and irreparable injury and damage. By reason of this, the Executive consents and agrees that if he breaches or threatens to breach any of the provisions of this Section 10, the Company shall be entitled, in addition to any other remedies it may have at law, to the remedies of injunction, specific performance and other equitable relief for a breach or threatened breach by the Executive of any of the provisions of this Section 10. This Section 10 shall not, however, be construed as a waiver of any of the rights which the Company may have for damages or otherwise.

10.6 Limitation Period. For purposes of this Section 10, the term "LIMITATION PERIOD" shall mean the period beginning on the date hereof and ending (a) two (2) years after the termination of the Executive's employment hereunder if the Executive terminates his employment other than for Good Reason or the Company terminates his employment for Cause, or (b) upon the termination of the Executive's employment hereunder if the termination occurs without Cause, whether or not in contemplation of a Change in Control, or after a Change in Control, or if the Executive terminates his employment for Good Reason.

10.7 Disclosure of Restrictive Covenants. The Executive agrees to disclose the existence and terms of the restrictive covenants set forth in this Section 10 to any employer that the Executive may work for during the Limitation Period.

10.8 Reasonable Covenants. The Executive and the Company agree that these covenants are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction such restraints are not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision, or provisions of these covenants as to the court shall appear not reasonable and to enforce the remainder of the covenants as so amended.

10.9 Consideration. The compensation, bonus payments and benefits to be received by the Executive from the Company as set forth herein shall he made in part specifically as for the Executive's covenants as set forth in this Section 10, and the Executive acknowledges that such consideration received by him is sufficient and reasonable in relation to the restrictions to which he has agreed in this Section 10. Further, the Executive acknowledges that the Stock Option has been granted as an inducement and in consideration of the Executive agreeing to the covenants set forth in this Section 10, and if the Executive violates the provisions of Section 10.1 or 10.2, which violation or breach continues for a period of 20 days after notice thereof is given Executive by the Company, the Stock Option shall be canceled. 1.1

11. DEDUCTIONS AND WITHHOLDING.

The Executive agrees that the Company shall withhold from any and all payments required to be made to the Executive (or his beneficiaries or personal representative) pursuant to this Agreement all federal, state, local and/or other taxes which the Company determines are required to be withheld in accordance with applicable statutes and/or regulations from time to time in effect.

12. NO CONFLICTING AGREEMENTS.

The Executive represents and warrants that he is not a party to any agreement, contract or understanding, whether employment or otherwise, which would in any way restrict or prohibit him from entering into this Agreement or performing in accordance with the terms and conditions of this Agreement.

13. MISCELLANEOUS.

13.1 Notices. Any notice to be given hereunder shall be in writing and given by registered or certified first-class mail, return receipt requested, telecopier (with receipt confirmed), overnight courier service or personal delivery addressed to the other party hereto at its address set forth below or at such other address as notice thereof shall have been given in accordance with the provisions of this Section 13.1:

If to the Company:

Cytoclonal Pharmaceutics Inc.
9000 Harry Hines Blvd., Suite 621
Dallas, Texas 75235
Attention: Gary Frashier, Chairman
Fax: (214) 350-9514

With a copy to:

Morrison Cohen Singer & Weinstein, LLP
750 Lexington Avenue
New York, New York 10022
Attention: Robert H. Cohen, Esq.
Fax No.: (212) 735-8708

If to the Executive:

Mr. Ronald L. Goode
1051 Melody Road
Lake Forest, Illinois 60045
Fax No.: (847) 615-1641

with copy to:

Schwartz & Freeman
Suite 1900
401 North Michigan Avenue
Chicago, Illinois 60611
Attention: Joan M. Eagle

Any such notice shall be deemed to have been given (a) when delivered personally to the recipient, (b) if telecopied, when receipt is confirmed, (c) when delivered by courier, if delivered by commercial overnight courier service, or (d) three (3) days after the date when mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid.

13.2 Agreement; Amendment. This Agreement supersedes any other agreements or understandings, oral or written, between the parties hereto with respect to the subject matter hereof and, together with the Award Agreement represents their entire understanding and agreement with respect to the subject matter hereof. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement and signed by the Company and the Executive.

13.3 Waiver Not Consent. Any waiver of any breach of this Agreement shall not be construed to be a continuing waiver or consent to any subsequent breach by either party hereto.

13.4 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each

term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

13.5 Assignment; Binding Effect. This Agreement is not assignable without the prior written consent of both parties hereto. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors, legal representatives and permitted assigns.

13.6 Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13.7 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas applicable to contracts made and performed therein, without giving effect to the choice of law principles thereof.

13.8 Counterparts and Facsimiles. This Agreement may be executed, including execution by facsimile signature, in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

13.9 Indemnification of Executive. The Company shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, indemnify the Executive from and against any and all of the expenses, liabilities or other matters referred to in or covered by said Section 145. The indemnification provided for herein shall not be deemed exclusive of any other rights to which Executive may be entitled under the Company's certificate of incorporation or by-laws, any agreement, vote of stockholders or disinterested directors or otherwise.

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

CYTOCLONAL PHARMACEUTICS INC.

By: /s/ Gary E. Frashier

Name: Gary E. Frashier
Title: Chairman of the Board

/s/ Ronald L Goode

RONALD L. GOODE

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT]

SCHEDULE 2.2

The Executive intends to continue to serve on the following Boards

CHARITABLE BOARDS:

American Graduate School of International Management ("Thunderbird")
Institute of International Education Midwest Advisory Board
Mercy Ships International
Project HOPE International Advisory Board

(The Board of Cytoclonal Pharmaceutics recognizes that it is in the best interests of the Company for Dr. Goode to actively participate in community, charitable and civic activities. To encourage him to do so, expenses involved in his attendance at the Board Meetings of "Thunderbird" (The American Graduate School of International Management) and Mercy Ships shall be paid as an expense of the Company.)

FOR PROFIT BOARDS:

Vitro Diagnostics, Inc.

OTHER ACTIVITIES:

Cytoclonal Pharmaceutics recognizes that, as Principal of "Pharma-Links, Inc.", Dr. Goode is working on a transaction for Vitro Diagnostics, Inc. Further, Cytoclonal Pharmaceutics acknowledges that Dr. Goode will be allowed to honor the 'business development' contract that Pharma-Links has with Vitro, and to complete the objectives foreseen in that contract, with the proviso that such activities shall be substantially ended by June 30, 2001.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Cytoclonal Pharmaceutics Inc.

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (333-37049), Post-Effective Amendment No. 1 to Form S-8 (No. 333-37049), Form S-8 (No. 333-11691), Post-Effective Amendment No. 2 to Form SB-2 on Form S-3 (No. 333-13409), Form S-3 (No. 333-66003), Form S-3 (No. 333-25323), Post-Effective Amendments Nos. 5 to 8 to Form SB-2 (No. 333-91802), Form S-8 (No. 333-86201), and Amendments Nos. 1 and 2 to Form S-3 (No. 333-33838) of Cytoclonal Pharmaceutics Inc. of our report dated March 2, 2001, with respect to the financial statements of Cytoclonal Pharmaceutics Inc. included in this annual report on Form 10-K for the year ended December 31, 2000.

Richard A. Eisner & Company, LLP

New York, New York
March 28, 2001