CAA

97 DEC -3 PM 3:10

May 29, 1997

Ms. Diane Dandois, Chief
License Fee and Accounts Receivable Branch
U S. Nuclear Regulatory Commission
Mail Stop: T-9 E 10
Washington, D.C. 20555-001

Re: Response to a Final Notice to Zynaxis, Inc., invoice number AM2487-97, dated 5/16/97 (license number 37-28318-02)

Dear Ms. Dandis,

Last Friday I received the above Final Notice. Zynaxis, Inc., does not exist any more: on May 21, 1997, it merged into Vaxel, a subsidiary of CytRx (see invitation to a special meeting of the shareholders of Zynaxis, Inc., attached).

About ten former Zynaxis employees still work at the former Zynaxis facility in Malvern, PA. Their employer is Cauldron, Inc., a wholly owned subsidiary of ProClinical, which is a clinical packaging business located in Phoenixville, PA. ProClinical has nothing to do with CytRx/Vaxel.

I was the RSO of Zynaxis, Inc. As a courtesy to CytRX/Vaxel, I am writing you to ask you to reverse a decision taken by your colleague, Cheryl A. Phillips, in the Washington, DC, office of the NRC. Her decision has resulted in the above Final Notice. If you should elect not to reverse her decision you should collect the amount due ($4863.20) from Vaxel.

On 6/20/96, Francis M. Conway, Controller of Zynaxis, sent a "Certification of Small Entity Status" to the NRC. He indicated that, because of the small number of employees, Zynaxis qualified for a discounted annual fee. On 8/15/96, Cheryl A. Phillips denied small entity status to Zynaxis for reason that "Zynaxis, Inc., is classified as a concern which provides a service."
I have talked to Ms. Phillips over the phone and I have explained to her that Zynaxis was a biotech company and not in the service industry. I both faxed and mailed her info from a Zynaxis annual report which described the business of Zynaxis (see attachment).

Sincerely,

W Bokle

Dr. Wilhelmus C. Kokke, Director, QA/QC

383 PHOENIXVILLE PIKE • MALVERN, PA 19355 • (610) 889-2215 • FAX (610) 889-5762

ZYNAXIS

April 18, 1997

To the Shareholders of Zynaxis, Inc.:

You are cordially invited to attend a Special Meeting of the Shareholders (the "Special Meeting") of Zynaxis, Inc. ("Zynaxis") to be held at the main office of Zynaxis located at 371 Phoenixville Pike, Malvern, Pennsylvania 19355, at 9:00 A.M., local time, on May 21, 1997.

At the Special Meeting, you will be asked to consider and vote upon three separate but related proposals. The first proposal is to approve an Agreement and Plan of Merger and Contribution (the "Agreement"), dated December 6, 1996, by and among Zynaxis, CytRx Corporation ("CytRx"), Vaxcel, Inc. ("Vaxcel"), a wholly-owned subsidiary of CytRx, and Vaxcel Merger Subsidiary, Inc. ("Vaxcel Merger Sub"), a newly-formed, wholly-owned subsidiary of Vaxcel, which provides for the merger (the "Merger") of Vaxcel Merger Sub with and into Zynaxis, with the effect that Zynaxis, as the surviving corporation resulting from the Merger, will be a wholly-owned subsidiary of Vaxcel. The second proposal is to approve a plan of asset transfer which calls for the sale of substantially all of the assets of Zynaxis (the "Asset Sales"). Under the proposal, the Asset Sales will be conducted pursuant to terms and conditions determined by the Board of Directors of Zynaxis and pursuant to an asset purchase agreement ("Asset Purchase Agreement"), dated March 21, 1997, entered into by Zynaxis with Preclinical, Inc. for the sale of the Cauldron Process Chemistry division assets. The third and final proposal is to approve an amendment (the "Charter Amendment") to the Amended and Restated Articles of Incorporation, as amended ("Articles of Incorporation"), of Zynaxis to "opt out" of Subchapter 25E of the Pennsylvania Business Corporation Law of 1988, as amended ("PBCL"). If the Charter Amendment is approved and the Merger is approved, the Merger may be consummated without obligating Zynaxis and CytRx to comply with Subchapter 25E of the PBCL. As a result of the Merger and the other transactions contemplated by the Agreement, the former shareholders of Zynaxis will own approximately 12.5% of the outstanding shares of common stock of Vaxcel, par value $.001 per share ("Vaxcel Common Stock"), and CytRx will own the remaining approximately 87.5% of such shares (assuming no exercise of any options or warrants with respect to Vaxcel Common Stock).

Pursuant to the Agreement, when the Merger is consummated, each share of capital stock of Zynaxis will be converted into the right to receive shares of Vaxcel Common Stock. Specifically, each share of common stock of Zynaxis, par value $.01 per share ("Zynaxis Common Stock"), issued and outstanding immediately prior to the effective time ("Effective Time") of the Merger (excluding certain shares as set forth in the Agreement), will be exchanged for the right to receive a number of shares of Vaxcel Common Stock equal to the Exchange Ratio (as described below and defined in the Agreement), with cash being paid in lieu of any fractional shares. In addition, each share of Series A convertible preferred stock of Zynaxis, no par value ("Zynaxis Preferred Stock," and, together with Zynaxis Common Stock, "Zynaxis Capital Stock") issued and outstanding immediately prior to the Effective Time (excluding certain shares as set forth in the Agreement), will be exchanged for the right to receive a number of shares of Vaxcel Common Stock equal to two times the Exchange Ratio, with cash being paid in lieu of any fractional shares. Assuming no changes in the capitalization of either Vaxcel or Zynaxis, the Exchange Ratio is approximately .0947.

As part of the transaction contemplated by the Agreement and pursuant to the Agreement, when the Merger is consummated, CytRx will contribute to Vaxcel a credit facility (the "Senior Credit Facility") and a cash payment (the "Cash Payment"). The Senior Credit Facility to be contributed by CytRx was entered into by CytRx and Zynaxis simultaneously with the execution of the Agreement to provide Zynaxis with working capital pending the consummation of the Merger. The Senior Credit Facility is made up of a secured note, certain security agreements, and a secured loan agreement, pursuant to which CytRx agreed to loan up to $2,000,000 to Zynaxis. The amount of the Cash Payment will be equal to the difference, as of the Effective Time, between $4,000,000 and the sum of (i) the outstanding balance under the Senior Credit Facility and (ii)(a) the Per Share Price (as defined in the Agreement) of approximately $.2754, multiplied by (b) the number of votes entitled to be cast by the holders of Zynaxis Capital Stock, if any, who elect to exercise their statutory dissenters' rights under Subchapter 15D of the PBCL or their statutory objection rights under Subchapter 25E of the PBCL in excess of three percent of the votes that could be cast by all holders of Zynaxis Capital Stock voting together as a class. In general terms, pursuant to the Agreement, when the Merger is consummated, CytRx will be contributing up to $4,000,000 in consideration in the form of the $2,000,000 Senior Credit Facility and the Cash Payment. However, CytRx's contribution will be decreased to account for cash payments which must be made to dissenting or objecting shareholders of Zynaxis.

In exchange for the contribution of the Senior Credit Facility and the Cash Payment, Vaxcel will deliver to CytRx a warrant to purchase shares of Vaxcel Common Stock (the "CytRx Warrant") and a certain number of shares of Vaxcel Common Stock. The CytRx Warrant will have an exercise price equal to one-half of the Per Share Price multiplied by the Exchange Ratio and may be exercised if, and only if, CytRx reasonably determines that Vaxcel's total assets and capital and surplus are insufficient to satisfy the total assets and capital surplus requirements for inclusion of Vaxcel Common Stock on the Nasdaq SmallCap Market. In addition to the CytRx Warrant, CytRx will receive 1,374,996 shares of Vaxcel Common Stock, plus an additional number of shares of Vaxcel Common Stock equal to the product of the Exchange Ratio multiplied by the number of votes entitled to be cast by the holders of Zynaxis Capital Stock, if any, who elect to exercise their statutory dissenters' rights under Subchapter 15D of the PBCL or their statutory objection rights under Subchapter 25E of the PBCL.

At the time that the Agreement was executed, three other agreements were executed which will permit the consummation of the Merger. Zynaxis, CytRx, Vaxcel, and the holders of all of the outstanding shares of Zynaxis Preferred Stock, who also hold certain warrants to purchase Zynaxis Common Stock ("Zynaxis Warrants"), entered into an agreement ("Preferred Stock and Warrant Agreement"), conditioned upon the consummation of the Merger, making certain agreements with respect to their rights, and converting the Zynaxis Warrants, upon consummation of the Merger, into warrants for the purchase of Vaxcel Common Stock. Zynaxis, CytRx, and Vaxcel entered into an agreement ("Note Exchange Agreement") with Euclid Partners III, L.P. and S.R. One, Ltd., who hold convertible notes ("Zynaxis Notes") issued by Zynaxis, conditioned upon the consummation of the Merger, converting the Zynaxis Notes, upon consummation of the Merger, into the right to receive shares of Vaxcel Common Stock. Finally, CytRx and certain holders of Zynaxis Capital Stock entered into shareholder voting agreements (each a "Shareholder Voting Agreement") pursuant to which each of such shareholders granted CytRx an irrevocable proxy to vote shares of Zynaxis Capital Stock held by such shareholders in favor of the Agreement and the Merger contemplated thereby, the Asset Sales, and the Charter Amendment.

At the time that the Agreement was executed, another set of three agreements was executed which permit Zynaxis to continue as a going concern pending the consummation of the Merger. As described above, CytRx entered into the Senior Credit Facility with Zynaxis. Zynaxis and CytRx also entered into a letter agreement ("Liquidation Agreement") which provides for CytRx to serve as Zynaxis' agent in the Asset Sales. Finally, Vaxcel and Zynaxis entered into a technology development agreement ("Technology Development Agreement") concerning the development, by Vaxcel, of certain technologies owned by or licensed to Zynaxis. Each of the Senior Credit Facility, the Liquidation Agreement, the Preferred Stock and Warrant Agreement, the Note Exchange Agreement, the Shareholder Voting Agreements, and the Technology Development Agreement are incorporated into the Agreement as exhibits thereto.

At the Special Meeting, you also will be asked to consider and vote upon a proposal to approve the Asset Sales. Approval of the proposal will constitute approval of the Asset Purchase Agreement and general approval for the Zynaxis Board to sell the other assets of Zynaxis on terms and conditions acceptable to the Zynaxis Board. Pursuant to the Liquidation Agreement and subject to shareholder approval, CytRx will serve as Zynaxis' agent and assist Zynaxis in conducting the Asset Sales. The approval of the Asset Sales by the shareholders of Zynaxis is a condition to consummation of the Merger.

At the Special Meeting, you also will be asked to consider and vote upon a proposal to approve the Charter Amendment. Subchapter 25E of the PBCL, relating to control transactions, provides that if any person or group acquires 20% or more of the voting power of a covered corporation, the remaining shareholders may demand from such person or group the "fair value," as defined in the statute, of their shares, including a proportionate amount of any control premium. Pursuant to Section 2541(a)(4) of the PBCL, the articles of incorporation of a Pennsylvania corporation can explicitly provide that Subchapter 25E is not applicable by means of an amendment adopted by the shareholders of such corporation prior to a control transaction. The adoption of the Charter Amendment amending the Articles of Incorporation and making Subchapter 25E inapplicable to the Merger is a condition to consummation of the Merger. This condition, however, may be waived by Vaxcel, as described below.

The Charter Amendment will be the first matter put before the shareholders for consideration and for a vote at the Special Meeting. If the Charter Amendment is approved by the shareholders, the Special Meeting will be adjourned pending the filing of the articles of amendment amending Zynaxis' Articles of Incorporation ("Articles of Amendment") reflecting the Charter Amendment, with the Department of State of the Commonwealth of Pennsylvania. The Special Meeting shall be adjourned for approximately two hours or for such shorter period of time as is necessary to file the Articles of Amendment. After the filing of the Articles of Amendment and the effectiveness of the Charter Amendment, the Special Meeting will be reconvened to consider and vote upon the Agreement and the Merger contemplated thereby, the Asset Sales, and such other business as may properly come before the Special Meeting. If the shareholders do not approve the Charter Amendment, the Special Meeting will not be adjourned and the shareholders will be asked to consider and vote upon the Agreement and the Merger contemplated thereby, the Asset Sales, and such other business as may properly come before the Special Meeting.

If the Charter Amendment is not approved, Vaxcel intends to waive the requirement that the Charter Amendment be approved and each holder of shares of Zynaxis Capital Stock will have the right to object to the Merger and the right to receive cash for each of such holder's shares of Zynaxis Capital Stock in an amount equal to the "fair value" of each share of Zynaxis Capital Stock as of the date of consummation of the Merger. The right of any such shareholder to such rights and remedies is contingent upon the consummation of the Merger and upon strict compliance with the requirements set forth in Subchapter 25E of the PBCL, the full text of which is attached as Appendix E to the accompanying Proxy Statement/Prospectus.

Enclosed are the (i) Notice of Special Meeting, (ii) Proxy Statement/Prospectus, (iii) Proxy for the Special Meeting, and (iv) Zynaxis' Annual Report to Shareholders for the year ended December 31, 1996. The Proxy Statement/Prospectus describes in more detail the Agreement and the proposed Merger (including a description of the conditions to consummation of the Merger and the rights of Zynaxis shareholders), the proposed Asset Sales, and the proposed Charter Amendment. Please read these materials carefully and consider thoughtfully the information set forth in them.

The Board of Directors has unanimously approved the Agreement and the Merger contemplated thereby, the Asset Sales, and the Charter Amendment and unanimously recommends that you vote FOR approval of the Agreement and the Merger contemplated thereby, the Asset Sales, and the Charter Amendment.

The Board of Directors believes that, if the Merger is not consummated, it is highly probable that Zynaxis will cease to exist as a going concern. The Board of Directors believes that, if the Merger is not consummated, Zynaxis may not have cash sufficient to fund its ongoing operations and that the Merger represents the only opportunity for the Zynaxis shareholders to participate in the development and commercialization of the Zynaxis vaccine delivery technologies. In addition, if the Merger is not consum-

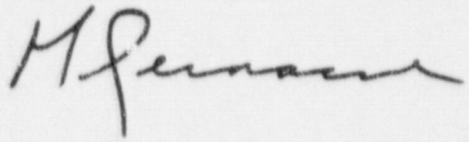
mated, the Board of Directors believes that Zynaxis may not be able to pay the outstanding balance under the Senior Credit Facility when it comes due. If Zynaxis defaults under the Senior Credit Facility, CytRx may exercise its rights as a secured creditor with respect to certain assets of Zynaxis, including, but not limited to, foreclosing on Zynaxis' rights in its vaccine delivery technologies.

Approval of each of these matters will require the affirmative vote of: (i) a majority of the votes cast, whether in person or by proxy, by all holders of Zynaxis Preferred Stock (voting on an as converted basis) and by all holders of Zynaxis Common Stock, entitled to vote and voting together as a class; and (ii) a majority of the votes cast, whether in person or by proxy, by all holders of Zynaxis Preferred Stock, entitled to vote and voting as a separate class. Accordingly, whether or not you plan to attend the Special Meeting, you are urged to complete, sign, and return promptly the enclosed proxy card. If you attend the Special Meeting, even if you previously have returned your proxy card, you may withdraw your proxy and vote in person if you wish. The proposed Merger with Vaxcel, the Asset Sales, and the Charter Amendment are significant steps for Zynaxis and your vote on these matters is of great importance.

On behalf of the Board of Directors, I urge you to vote *FOR* approval of the Agreement and the Merger contemplated thereby, the Asset Sales, and the Charter Amendment by marking the enclosed proxy card "FOR" items one, two, and three, respectively.

We look forward to seeing you at the Special Meeting.

Sincerely,



Martyn D. Greenacre
President and Chief Executive Officer

ZYNAXIS

Zynaxis, Inc.
371 Phoenixville Pike
Malvern, Pennsylvania 19355
(610) 889-2200 Fax (610) 889-2222

September 4, 1996

Re: Request for assignment of small entity status for the purpose of annual NRC fees (license # 37-28318-01 and -02)

Dear Ms. Phillips,

I am sending you a copy of our most recent quarterly report.
All our activities are described in that report.
The main activities are development of oral vaccines and the manufacture of fine chemicals and pharmaceuticals.
A few people are still working on a new drug delivery system. Their work is supported by a research grant.

Please, give me a call if you would need more information.

Sincerely,

Dr. Wilhelmus C. Kokke,
Radiation Safety Officer and Director, QA/QC

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

FORM 10-Q

(MARK ONE:)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996

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

For the transition period from _____ to _____

Commission file number 0-19701

ZYNAXIS, INC.

(Exact name of Registrant as specified in its charter)

Pennsylvania	23-2562913
(State or other jurisdiction of incorporation or organization)	(IRS Employer I.D. No.)

371 Phoenixville Pike, Malvern, Pennsylvania 19355
(Address of principal executive offices) (Zip Code)

(610) 889-2200
(Registrant's telephone number, including area code)

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 _____

Shares of Common Stock outstanding at July 31, 1996 were 10,340,860.

PART 1. FINANCIAL INFORMATION
Item 1 Consolidated Financial Statements

Zynaxis, Inc. and subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30, 1996	December 31, 1995
Assets		
Current Assets:		
Cash and cash equivalents	$168,281	$411,706
Short-term securities	-	97,437
Collaborative, contract and grant revenue receivable (Note 6)	162,583	111,263
Restricted cash	23,735	23,735
Prepaid expenses	31,425	25,765
Other current assets	103,377	43,226
Total current assets	**489,401**	**713,132**
Property and equipment (Note 9):		
Equipment	2,920,412	2,907,858
Leasehold improvements	3,039,017	3,028,323
	5,959,429	**5,936,181**
Less accumulated depreciation and amortization	(3,645,957)	(3,090,640)
Net property and equipment	**2,313,472**	**2,845,541**
Other assets:		
Restricted cash	109,975	109,711
Other long-term assets	21,521	31,869
Note receivable	305,266	287,575
Total other assets	**436,762**	**429,155**
	$3,239,635	**$3,987,828**

The accompanying notes are an integral part of these statements.

Zynaxis, Inc. and subsidiaries
Consolidated Balance Sheets
(Continued)
(Unaudited)

	June 30, 1996	December 31, 1995
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$709,412	$747,777
Accrued expenses	304,990	487,794
Notes payable to shareholders (Note 3)	450,000	150,000
Current maturities of long-term debt (Note 4)	32,972	25,050
Current portion of other long-term obligations	39,937	36,209
Deferred income	36,766	-
Total current liabilities	**1,574,077**	**1,446,830**
Long-term debt (Note 4)	**66,042**	**79,909**
Other long-term obligations	**108,202**	**103,494**
Commitments and contingencies (Note 2)		
Stockholders' equity (Note 5):		
Series A preferred stock, 8% cumulative, 2,000,000 authorized shares. 1,440,000 and 1,500,000 issued and outstanding at June 30, 1996 and December 31, 1995, respectively (liquidation preference of $3,148,077 at June 30, 1996)	2,604,034	2,712,535
Common Stock, $.01 par value, 25,000,000 shares authorized and 10,240,860 and 9,460,676 issued and outstanding at June, 30, 1996 and December 31, 1995, respectively	102,409	94,607
Additional paid-in capital	45,830,022	45,071,223
Accumulated deficit	(47,045,151)	(45,520,770)
	1,491,314	**2,357,595**
	$3,239,635	**$3,987,828**

The accompanying notes are an integral part of these statements.

Zynaxis, Inc. and subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30, 1996	1995
Revenues:		
Collaborative, contract and grant revenues (Note 6)	$ 495,649	$ 22,810
Sales	-	26,789
	495,649	49,599
Costs and expenses:		
Research and development	928,726	1,716,727
Marketing, general and administrative	400,019	453,170
Cost of sales	-	7,196
	1,328,745	2,177,093
Operating loss	(833,096)	(2,127,494)
Other income (expense):		
Interest income	13,659	15,081
Interest expense	(6,986)	(5,818)
Other	123,007	3,082
Gain on sale of diagnostic technologies and assets (Note 8)	-	1,101,262
	129,680	1,113,607
Net loss	($703,416)	($1,013,887)
Net loss per common share	($0.07)	($0.19)
Shares used in computing net loss per common share	10,153,742	5,263,556

The accompanying notes are an integral part of these statements.

Zynaxis, Inc. and subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Six months ended June 30, 1996	1995
Revenues:		
Collaborative, contract and grant revenues (Note 6)	$1,038,693	$31,479
Sales	-	141,189
	1,038,693	**172,668**
Costs and expenses:		
Research and development	1,871,613	2,970,066
Marketing, general and administrative	913,130	977,250
Restructuring charge (Note 7)	-	347,436
Cost of sales	-	40,261
	2,784,743	**4,335,013**
Operating loss	**(1,746,050)**	**(4,162,345)**
Other income (expense):		
Interest income	29,737	30,975
Interest expense	(13,823)	(25,914)
Other	205,755	7,482
Gain on sale of diagnostic technologies and assets (Note 8)	-	1,101,262
	221,669	**1,113,805**
Net loss	**($1,524,381)**	**($3,048,540)**
Net loss per common share	**($0.15)**	**($0.58)**
Shares used in computing net loss per common share	**9,917,119**	**5,261,373**

The accompanying notes are an integral part of these statements.

Zynaxis, Inc. and subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30, 1996	1995
Cash flow from operating activities:		
Net loss	($1,524,381)	($ 3,048,540)
Adjustments to reconcile net loss to net cash used for operating activities:		
Gain on sale of diagnostic technologies and assets	-	(1,101,262)
Depreciation and amortization	540,009	586,502
Deferred compensation	-	3,771
Issuance of Common Stock to 401k plan	3,602	10,178
Decrease (increase) in		
Restricted cash	(262)	20,[illegible]
Prepaid expenses	(5,660)	(5[illegible]
Collaborative, contract and grant revenue receivable	(51,320)	(16,[illegible]
Other current assets	(60,151)	(18,769)
Other long term assets	10,351	15,430
Increase (decrease) in		
Accounts payable	(38,365)	155,629
Accrued expenses	(182,803)	(500)
Deferred income	36,767	-
Other long-term obligations	(14,994)	(14,993)
Net cash used for operating activities	**(1,287,207)**	**(3,413,664)**
Cash flow from investing activities:		
Purchases of property and equipment	(23,248)	(1,697)
Proceeds from sale of diagnostic technologies and assets	-	1,100,000
Payment of merger-related fees and expenses	-	(50,484)
Net sales short- term securities	97,437	2,076,679
Net cash from investing activities	**74,189**	**3,124,498**
Cash flow from financing activities:		
Proceeds from issuance of Common Stock	500,000	2,173,258
Proceeds from issuance of short-term promissory notes to Shareholders	450,000	-
Proceeds from capital lease financing	25,640	-
Proceeds from exercise of Common Stock options	2,103	5,000
Principal payments on capital lease obligations	(2,204)	(13,844)
Principal payments on notes payable	(5,946)	(331,279)
Net cash from financing activities	**969,593**	**1,833,135**
Net (decrease) increase in cash and cash equivalents	**(243,425)**	**1,543,969**
Cash and cash equivalents, beginning of period	**411,706**	**90,280**
Cash and cash equivalents- end of period	**$ 168,281**	**$1,634,249**

Supplemental disclosure of cash flow information:		
Cash paid for interest expense	$5,658	$21,343

The accompanying notes are an integral part of these statements.

ZYNAXIS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1- Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to interim periods. These financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the more complete disclosures contained in the audited financial statements of Zynaxis, Inc. ("Zynaxis" or the "Company") incorporated by reference in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 1995.

The statements reflect, in the opinion of management, all adjustments of a normal and recurring nature necessary to present fairly the Company's consolidated financial position at June 30, 1996 and December 31, 1995, the consolidated results of operations for the three and six months ended June 30, 1996 and 1995, and the consolidated cash flows for the six months ended June 30, 1996 and 1995. The results of operations for the three and six months ended June 30, 1996, and the cash flows for the six months ended June 30, 1996, are not necessarily indicative of the results to be expected for the entire year.

Certain prior year amounts have been reclassified to conform to current year classifications.

Note 2 - Background and Significant Uncertainties

Zynaxis, Inc. was incorporated in Pennsylvania on March 5, 1987 and commenced operations in July 1988. The Company initially focused on the development of cell-mediated therapies and cellular diagnostic products including research reagents for cell tracking. Between 1988 and 1991, the Company received funding primarily through venture capital financing involving the issuance of convertible preferred stock and convertible notes, all of which have since been converted into Common Stock. In January 1992, the Company completed an initial public offering of its Common Stock, receiving net proceeds of approximately $23,300,000 through the sale of 2,875,000 shares of Common Stock. Between 1992 and 1994, the Company focused on development of products for site-directed drug delivery using its proprietary Zyn-Linker molecules and on the development of cellular diagnostic products including its Zymmune CD4/CD8 Cell Monitoring Kit.

During 1995 the Company modified its strategic direction, divesting its diagnostic products, acquiring vaccine delivery technologies, and focusing its resources on selected drug and vaccine delivery opportunities, which were anticipated, in the opinion of the Board of Directors and management, to yield an improved long-term return for both the Company and its shareholders compared to the Company's previous strategy of funding both therapeutic and diagnostic operations.

Four key events occurred in 1995 as a result of the Company's modified strategic direction: (i) the sale of the Company's diagnostic operations, accompanied by a significant reduction in work-force, (ii) the acquisition by merger of Secretech, Inc. ("Secretech") and associated technologies for oral and mucosal vaccine delivery, (iii) the completion of a private placement which raised net proceeds of $2,700,000 to fund operations, and (iv) the completion of a significant corporate collaborative agreement for the development of certain technologies acquired through the merger with Secretech. These events are described in detail within the Management's Discussion and Analysis of Financial Condition and Results

of Operations contained in the Company's Report on Form 10-K, as amended, for the year ended December 31, 1995.

The Company's strategic goal is to become a profitable organization with positive cash flow from operations by developing varied applications of its drug and vaccine delivery platforms through significant cash-generating collaborations with pharmaceutical and biotechnology firms. The Company expects that these revenues will initially take the form of license payments, milestone payments and research funding payments, but will ultimately take the form of royalty income as products developed by collaborators using the Company's technologies reach the market.

Other than the Company's Development and Licensing Agreement with ALK A/S ("ALK"), the Company has had limited success in executing such significant collaborations. The Company believes that development of its delivery technologies will ultimately result in favorable returns. Substantial development remains to be completed prior to realization of any such returns.

The Company has sustained significant operating losses and expects such losses to continue in the future as it continues to invest in product research and development, preclinical research and, potentially, clinical trials. The Company has not received significant revenues from the sale of any of its products. For the period from its inception to June 30, 1996, the Company has an accumulated deficit of $47,045,000.

The Company's financial condition continues to be critical. Since December 31, 1995, the Company has primarily funded operations through the issuance of short-term promissory notes to certain holders of Series A Preferred Stock (the "Preferred Shareholders"), and the completion of an additional private offering which is described in detail in Notes 3 and 5 to these consolidated interim financial statements. Operational cash flows have been received by providing process chemistry services to the pharmaceutical, biotechnology and fine chemical industries, and by availing itself of government funding of its Zyn-Linker programs through Small Business Innovative Research ("SBIR") grants.

The Company is continuing efforts to raise cash to finance its ongoing operations. The Company's recent efforts have primarily been focused on attempting to sell the Cauldron Process Chemistry division ("Cauldron") and its related assets for cash.

In July 1996, the Company signed a binding letter of intent to sell Cauldron to Seloc AG ("Seloc"), a subsidiary of Schwarz Pharma. Cauldron was established by the Company to utilize its process chemistry expertise in response to growing demand for contract services. Cauldron provides collaborative consulting services on all aspects of bulk pharmaceutical production and offers process research, development and pilot scale-up facilities for the pharmaceutical, biochemical industries and fine chemical industries. In conjunction with the execution of the binding letter of intent, the Company received an exclusive option payment of $100,000, and an upfront payment of $50,000 on a Seloc process development contract.

The Company expects to receive a significant cash payment from Seloc upon signing of a definitive agreement of sale. The closing of this transaction is contingent upon the satisfaction of certain conditions principally related to the restructuring of real estate leases related to the Cauldron facility. Final settlement of this sale is expected in September 1996. Any cash inflows from the sale of Cauldron will be used to first repay the Demand Promissory Notes discussed above, reduce certain outstanding obligations of the Company and then to fund continuing operations. The ability of the Company to survive as a going concern beyond the third quarter of 1996 is contingent on the receipt of these proceeds. There can be no assurance, however, that the Company will be able to successfully resolve the conditions precedent to the agreement or conclude these negotiations on a timely basis. If the Company is unable to conclude these negotiations, additional funding will be required in order to continue operations. There is no assurance

that such additional funding will be available. If no other funding is obtained by the Company, it may be required to cease operations.

As a result of its decision to sell Cauldron, the Company's future ability to produce clinical-grade supplies of Zyn-Linker conjugates (the "Conjugates") could be negatively impacted. The Company believes that it will be able to contract directly with Seloc or other suppliers for the production of these Conjugates, but there can be no assurance that such capacity will exist on terms acceptable to the Company.

The Company's ultimate survival is dependent upon its ability to generate significant and sustained revenues from corporate research and development collaborations through up-front, milestone or other funding payments. It is highly unlikely that the Company will be profitable and generating positive cash flow from operations by the end of 1997. Accordingly, the Company is exploring other opportunities to assure the viability of the technology and to protect shareholder value. These options include additional significant private placement of its equity securities, merger, acquisitions, joint ventures, technology sales, and technology acquisitions, among others (collectively, "Significant Strategic Transactions").

There can be no assurance that the Company will be able to complete any such Significant Strategic Transaction. If such a Significant Strategic Transaction is not completed before the end of 1997, the Company may be required to cease operations. If the Significant Strategic Transaction is a private placement of equity securities, the total amount raised could be limited by the market price of the Company's Common Stock, as well as the number of shares actually available for issuance. Any such private placement of equity securities could result in significant dilution to the then existing shareholders.

Note 3- Notes Payable to Shareholders

On December 28, 1995, the Company issued a $150,000 Demand Promissory Note (the " December 1995 Note") to one of its principal shareholders. A general partner of the shareholder is a member of the Board of Directors. This December 1995 Note bore interest at the annual rate of 10% and was initially due on the earlier of (i) a closing of a private offering of the Company's Common Stock in an amount of at least $2,000,000 or (ii) March 31, 1996. In connection with this transaction, the Company issued a warrant with a five year term to purchase 15,000 shares of the Company's Common Stock at an exercise price of $1.00 per share. On February 29, 1996, the holder of the December 1995 Note converted the outstanding principal balance and all accrued interest thereon to Common Stock with transfer restrictions, as described in Note 5 to the consolidated interim financial statements.

On May 3, 1996 the Company issued Demand Promissory Notes (the "May 1996 Notes") aggregating $200,000 to two of its principal shareholders. A general partner of one shareholder and the president of another shareholder are members of the Board of Directors. These May 1996 Notes bear interest at the annual rate of 11 1/4% and are due on the earlier of (i) the receipt by the Company of proceeds from the sale of Cauldron aggregating at least $1,000,000 or (ii) upon demand if the closing on the sale of Cauldron does not occur by September 30, 1996. The May 1996 Notes are convertible at the option of the holder into an aggregate of 200,000 shares of the Company's Common Stock at any time prior to repayment. In connection with the issuance of the May 1996 Notes, the Company issued warrants with a five year term to purchase 200,000 shares of the Company's Common Stock at an exercise price of $1.00 per share.

On June 7, 1996 the Company issued a $250,000 Demand Promissory Note to another of its principal shareholders. This note was canceled and reissued on July 17, 1996 due to a revision of the repayment terms (the "July 1996 Note"). This July 1996 Note bears interest at the annual rate of 11 1/4% and is due on the earlier of (i) the receipt by the Company of proceeds from the sale of Cauldron aggregating at least $1,000,000 or (ii) upon demand if the closing on the sale of Cauldron does not occur by October 15, 1996. This July 1996 Note is convertible at the option of the holder into an aggregate of 150,000 shares of the

Company's Common Stock at any time prior to repayment. In connection with the issuance, the Company also issued a warrant with a five year term to purchase 25,000 shares of the Company's Common Stock at an exercise price of $1.00 per share.

Note 4 Long-term debt

Long-term debt consists of a ten-year note to the then lessor of the Company's office and research facility to finance certain leasehold and other improvements. The note bears interest at 13% and is fully collateralized by a $114,469 certificate of deposit. The amount of the collateral decreases each year. The certificate of deposit is included within restricted cash in the accompanying balance sheets.

Note 5- Stockholders' Equity

Series A Convertible Preferred Stock

During the three months ended June 30, 1996, a holder of Series A Convertible Preferred Stock converted 60,000 shares of Series A Convertible Preferred Stock into 120,000 shares of Common Stock.

Common Stock

On February 29, 1996, the Company completed a private placement of Common Stock with transfer restrictions, raising proceeds of $500,000. Additionally, a $150,000 short-term promissory note payable held by a related party, plus accrued interest of $2,582, was converted to Common Stock with transfer restrictions on February 29, 1996.

Under terms of the above agreements, the Company issued an aggregate of 652,582 shares of Common Stock at a price of $1.00 per share. Additionally, the Company issued warrants to purchase 195,775 shares of Common Stock at an exercise price of $1.00 per share.

Stock Warrants

In connection with the issuances of the May 1996 Notes and the July 1996 Note described in Note 3 above, the Company issued warrants to purchase an aggregate of 225,000 shares of the Company's Common Stock. These warrants have a five year term and have an exercise price of $1.00 per share.

Note 6 - Collaborative, Contract and Grant revenues

Collaboration with ALK A/S

In October 1995, the Company announced a development and licensing agreement with ALK, a leading European pharmaceutical company in the field of allergy immunotherapy. The collaboration involves certain of the technologies acquired in the merger with Secretech relating to bioactive substance delivery technology.

Under the terms of the ALK development and licensing collaboration, the Company has received payments aggregating $1,000,000. The Company received the second installment of $250,000 in January 1996, the third installment of $250,000 in April 1996, and the fourth and final installment payment of $250,000 in August 1996.

The Company also has agreed to provide ALK with research and development support of the licensed technology for which it will receive additional revenues based upon costs incurred. During the six months ended June 30, 1996, the Company recorded $18,700 of such revenue.

The agreement can be unilaterally terminated by either party in certain circumstances and with notification periods stated in the agreement.

The Company will receive a royalty of 7% on net sales of products using the Company's technology, increasing based upon certain sales criteria established within the agreement. The Company could also receive additional milestone payments of up to $2,000,000 based upon either FDA or certain other regulatory approvals of additional products using the Company's vaccine delivery technologies. There can be no assurance that ALK will ever obtain the appropriate regulatory approvals, or will ever generate any sales using the technology licensed from the Company.

Should the Company receive royalties under this agreement, it will be required to pay approximately 3% of the net sales of the licensed product to the original patent holder of the technology.

Contract Manufacturing

During the three and six months ended June 30, 1996, the Company, through its' Cauldron Process Chemistry division recognized contract manufacturing revenues of $135,400 and $287,300, respectively by providing process chemistry and pilot manufacturing services to other biotechnology, pharmaceutical and chemical organizations.

As discussed in Note 2 to the consolidated interim financial statements, the Company has signed a binding letter of intent to sell Cauldron to Seloc.

Grant Revenue

For the three and six months ended June 30, 1996, the Company recognized $58,100 and $167,500, respectively, pursuant to a SBIR grant awarded by the National Heart, Lung and Blood Institute. This grant is funding the preclinical development of Zyn-Linker molecules linked with heparin and the investigation of their ability to inhibit post-angioplasty restenosis and local thrombosis. This grant has been extended for a second year; the Company could recognize up to an additional $341,000 under the terms of this grant extension.

The Company has also received a Phase I SBIR grant for up to $100,000 to develop Zyn-Linker molecules linked with Taxol and the investigation of their ability to inhibit post-angioplasty restenosis and local thrombosis. The Company has recorded $15,200 of revenue related to this grant in the three and six months ended June 30, 1996.

Note 7 - Restructuring charge

During the six months ended June 30, 1995, the Company recorded a restructuring charge as a result of its decision to sell its diagnostic technologies and assets and exit the diagnostic field. This $347,000 charge consisted of severance and severance-related expenses resulting from the termination of diagnostic employees, as well as amounts potentially due to certain distributors of the Company's Zymmune Cell Monitoring System pursuant to the terms and conditions of certain distribution agreements.

Note 8 - Gain on sale of diagnostic technologies and assets

Included in other income/(expense) for the three and six months ended June 30, 1995 is $1,101,300 received pursuant to the terms of an agreement with Phanos Technologies, Inc. for the sale of the Company's cell tracking molecules for use as research and diagnostic reagents, including certain Zyn-

Linker patents owned by the Company. The Company retains all rights to the therapeutic uses of Zyn-Linkers.

Note 9 - Subsequent Event

As discussed in Note 2 to the consolidated interim financial statements, in July 1996, the Company signed a binding letter of intent to sell the assets of Cauldron to Sciloc, a subsidiary of Schwarz Pharma. Revenues for Cauldron for the three and six months ended June 30, 1996 were $135,400 and $287,300, respectively. The transaction is to be completed during the latter part of 1996 and is not expected to have an unfavorable impact on the Company's operating results.

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

Introduction and overview

This discussion should be read in conjunction with the information presented in the Consolidated Financial Statements and the related Notes to the consolidated interim financial statements.

The Company commenced operations in July 1988 and initially focused on the development of cell-mediated therapies and cellular diagnostic products including research reagents for cell tracking. Between 1988 and 1991, the Company received funding primarily through venture capital financing involving the issuance of convertible preferred stock and convertible notes, all of which have since been converted into Common Stock. In January 1992, the Company completed an initial public offering of its Common Stock, receiving net proceeds of approximately $23,300,000 through the sale of 2,875,000 shares of Common Stock. Between 1992 and 1994, the Company focused on development of products for site-directed drug delivery using its proprietary Zyn-Linker molecules and on development of cellular diagnostic products including its Zymmune CD4/CD8 Cell Monitoring Kit.

During 1995, the Company modified its strategic direction, divesting its diagnostic products, acquiring vaccine delivery technologies, and focusing its resources on selected drug and vaccine delivery opportunities, which were anticipated, in the opinion of the Board of Directors and management, to yield an improved long-term return for both the Company and its shareholders compared to the Company's previous strategy of funding both therapeutic and diagnostic operations.

Four key events occurred in 1995 as a result of the Company's modified strategic direction: (i) the sale of the Company's diagnostic operations, accompanied by a significant reduction in work-force, (ii) the acquisition by merger of Secretech, Inc. ("Secretech") and associated technologies for oral and mucosal vaccine delivery, (iii) the completion of a private placement which raised net proceeds of $2,700,000 to fund operations, and (iv) the completion of a significant corporate collaboration agreement for the development of certain technologies acquired through the merger with Secretech. These events are described in detail within Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Report on Form 10-K, as amended, for the year ended December 31, 1995.

The Company's strategic goal is to become a profitable organization with positive cash flow from operations by developing varied applications of its drug and vaccine delivery platforms through significant cash-generating collaborations with pharmaceutical and biotechnology firms. The Company expects that these revenues will initially take the form of license payments, milestone payments and research funding payments, but will ultimately take the form of royalty income as products developed by collaborators using the Company's technologies reach the market.

Other than the Company's Development and Licensing Agreement with ALK A/S ("ALK"), the Company has had limited success in executing such significant collaborations. While the Company believes that development of its delivery technologies will ultimately result in favorable returns, substantial development remains to be completed prior to realization of any such returns.

The Company has sustained significant operating losses and expects such losses to continue in the future as it continues to invest in product research and development, preclinical research and, potentially, clinical trials. The Company has not received significant revenues from the sale of any of its products. For the period from its inception to June 30, 1996, the Company has an accumulated deficit of $47,045,000.

The Company's financial condition continues to be critical. The Company is pursuing numerous opportunities and alternatives in order to assure the viability of its technologies, to provide significant and sustained funding for these technologies and, ultimately, to improve shareholder value. Since December 31, 1995, the Company has funded its recent operations through the proceeds of a limited offering of its Common Stock, the proceeds from the issuance of short-term promissory notes to certain of its shareholders, and to a lesser extent, by providing process chemistry services to the pharmaceutical, biotechnology and fine chemical industries, and by availing itself of government funding of its Zyn-Linker programs through Small Business Innovative Research ("SBIR") grants. These funding activities are described below in "Liquidity, capital resources and plans to fund future operations."

The Company is subject to significant risks as described below in "*Uncertainties and Risks.*"

Liquidity, capital resources and plans to fund future operations

At June 30, 1996, the Company had cash, cash equivalents and short term securities of $168,300 and a working capital deficit of $1,084,700.

The Company's net cash used for operations was $1,287,200 and $3,413,700 for the six months ended June 30, 1996 and 1995, respectively. The 62% decrease in the use of cash for operations between the periods presented is primarily due to the divestiture of the Company's diagnostic operations and the resulting reduction in operating expenses, and the growth in collaborative, revenues and grant revenues, combined with sublease revenues described below.

The Company has funded operations since December 31, 1995 primarily through the issuance of short-term promissory notes to certain holders of Series A Preferred Stock (the "Preferred Shareholders"), and the completion of an additional private offering:

Issuance of Short-term Promissory Notes

The Company issued an aggregate of $450,000 of Demand Promissory Notes (the "Notes") to three of its Preferred Shareholders in exchange for cash to fund operations. These Notes bear interest at an annual rate of 11 1/4% and are to be repaid on the earlier of (a) the date the Company receives aggregate proceeds of at least $1,000,000 from the sale of Cauldron Process Chemistry as described below, or (b) selected dates in the third or fourth quarters of 1996. As additional consideration the Company issued an aggregate of 225,000 warrants to purchase Common Stock of the Company with an exercise price of $1.00 per share. Should the Company be unable to successfully conclude negotiations on the sale of its process chemistry operations, in the absence of any other financing, it would be unable to repay these Notes.

Completion of Private Placement

On February 29, 1996, the Company received cash proceeds of $500,000 in a private placement of Common Stock to an institutional investor. Under the terms of the purchase agreement, the Company issued 500,000 shares of unregistered Common Stock at a price of $1.00 per share, and a warrant to purchase 150,000 shares of Common Stock with transfer restrictions at an exercise price of $1.00 per share. Additionally, on February 29, 1996, the Company converted a $150,000 bridge loan from a Preferred Shareholder and accrued interest thereon into 152,582 shares of Common Stock with transfer restrictions and issued a warrant to purchase 45,775 shares of Common Stock at an exercise price of $1.00 per share.

The Company is continuing efforts to raise cash to finance its ongoing operations. The Company's efforts have primarily been focused on attempting to sell the Cauldron Process Chemistry division ("Cauldron") and its related assets for cash.

In July 1996, the Company signed a binding letter of intent to sell Cauldron to Seloc AG ("Seloc"), a subsidiary of Schwarz Pharma. Cauldron was established by the Company to utilize its process chemistry expertise in response to growing demand for contract services. Cauldron provides collaborative consulting services on all aspects of bulk pharmaceutical production and offers process research, development and pilot scale-up facilities for the pharmaceutical, biochemical industries and fine chemical industries. In conjunction with the execution of the binding letter of intent, the Company received an exclusive option payment of $100,000, and an upfront payment of $50,000 on a Seloc process development contract.

The Company expects to receive a significant cash payment from Seloc upon signing of a definitive agreement of sale. The closing of this transaction is contingent upon the satisfaction of certain conditions principally related to the restructuring of real estate leases related to the Cauldron facility. Final settlement of this sale is expected in September 1996. Any cash inflows from the sale of Cauldron will be used to first repay the Demand Promissory Notes discussed above, reduce certain outstanding obligations of the Company and then to fund continuing operations. The ability of the Company to survive as a going concern beyond the third quarter of 1996 is contingent on the receipt of these proceeds. There can be no assurance, however, that the Company will be able to successfully resolve the conditions precedent to the agreement or conclude these negotiations on a timely basis. If the Company is unable to conclude these negotiations, additional funding will be required in order to continue operations. There is no assurance that such additional funding will be available. If no other funding is obtained by the Company, it may be required to cease operations.

As a result of its decision to sell Cauldron, the Company's future ability to produce clinical-grade supplies of Zyn-Linker conjugates (the "Conjugates") could be negatively impacted. The Company believes that it will be able to contract directly with Seloc or other suppliers for the production of these Conjugates, but there can be no assurance that such capacity will exist on terms acceptable to the Company.

The Company's ultimate survival is dependent upon its ability to generate significant and sustained revenues from corporate research and development collaborations through up-front, milestone or other funding payments. It is highly unlikely that the Company will be profitable and generating positive cash flow from operations by the end of 1997. Accordingly, the Company is exploring other opportunities to assure the viability of the technology and to protect shareholder value. These options include additional significant private placement of its equity securities, merger, acquisitions, joint ventures, technology sales, and technology acquisitions, among others (collectively, "Significant Strategic Transactions").

There can be no assurance that the Company will be able to complete any such Significant Strategic Transaction. If such a Significant Strategic Transaction is not completed before the end of 1997, the Company may be required to cease operations. If the Significant Strategic Transaction is a private placement of equity securities, the total amount raised could be limited by the market price of the Company's Common Stock, as well as the number of shares actually available for issuance. Any such private placement of equity securities could result in significant dilution to the then existing shareholders.

Uncertainties and Risks

The Company continues to be subject to significant uncertainty and risk. The Company's independent public accountants have included an explanatory paragraph in their report covering the Company's financial statements for the fiscal year ended December 31, 1995, expressing substantial doubt about the Company's ability to continue as a going concern. These risks and uncertainties arise from a number of factors, some of which are described below, including those inherent in the biotechnology industry as well as those resulting from the Company's poor financial condition, as previously discussed.

The Company is critically short of cash to fund its operations and has a severe working capital deficit. Current cash resources, augmented by expected collaborative and other revenues are only sufficient to

fund operations into but not beyond the third quarter of 1996. The Company has continued to explore opportunities to complete additional equity financings, but to date in 1996 has only been able to raise $500,000 of cash proceeds as described above. The ability of the Company to operate as a going concern with its current portfolio of technologies under development for the remainder of 1996 and into 1997 will primarily be determined by the amounts raised from the Cauldron sale.

Even if the Company realizes significant cash inflows from the sale of Cauldron, in order to fund its operations and technologies, the Company believes that its must actively and aggressively explore opportunities to assure the viability of the technology and to protect shareholder value. The range of possible Significant Strategic Transactions is described above.

The Company currently has approximately 7,000,000 additional shares of Common Stock authorized and available for issuance. Without shareholder approval of an increase in authorized capital, the actual amount which could be raised in any financing or used in any type of Significant Strategic Transaction, may be limited, depending upon the actual terms of any such transaction.

Prior to December 20, 1995, the Company's Common Stock traded on the Nasdaq National Market. The NASD By-Laws required the Company to maintain certain quantitative standards for continued listing on the Nadsaq National Market. These standards included, among other things, a minimum bid price of $1.00 per share for the Common Stock, or, in the alternative, market value of public float of $3,000,000 and $4,000,000 of net tangible assets. Additionally, an issuer such as the Company which had sustained losses from continuing operations and/or net losses in three of its last four most recent fiscal years was required to have net tangible assets of at least $4,000,000. Due to the Company's inability to consistently meet these standards, the Company's Common Stock was removed from the Nasdaq National Market and is now traded on the Nasdaq SmallCap Market. This could limit the Company's ability to raise additional capital and reduce the liquidity of the Company's shareholders. Additionally, unlike the Nasdaq National Market, the Nasdaq SmallCap Market does not entitle listing companies to an automatic exemption from the majority of state securities registration and reporting requirements.

If the Company is unable to raise significant additional funds, it will be required to severely reduce or terminate operations. A severe reduction in operations would ultimately limit the ability of the Company to perform under its current collaborative agreements and would limit the advance of the Company's technologies under development. Ultimately, the Company may need to obtain funds through arrangements that require it to relinquish rights to certain or all of its technologies or product candidates; it may still be required to curtail or further divest research programs or totally cease operations and liquidate remaining assets, if any. Should the Company determine that it is no longer in the best interest of its shareholders to continue operations, the ability of the Company to fund an orderly disposition of assets, pay off its then outstanding liabilities and return any remaining cash to its shareholders will be limited by the amount of working capital then on hand, if any.

As a result of the 1995 change in strategic direction, the Company is focusing virtually all of its resources on drug and vaccine delivery technologies. Therapeutic and vaccine product development is subject to significant risks. Product opportunities that the Company is presently pursuing will require substantial additional research, development, clinical testing and regulatory approvals prior to commercialization. These activities are time-consuming and expensive. The ability of the Company to advance these technologies will be highly dependent upon the Company's available cash resources and the ability of the Company to obtain significant and sustained funding from collaborative partners, investors or other sources. To date, the Company has had limited success in obtaining substantial funding from collaborative partners. There is no assurance that the Company will be successful in the future. Pharmaceutical companies seeking collaborative arrangements in order to avail themselves of products in the development stage have become increasingly selective and have required substantial proof of principle, safety and efficacy before agreeing to provide substantial collaborative funding. Significant cash expenditures are required to obtain such evidence of principle, safety and efficacy.

Even if a product candidate appears promising at an early stage of development, there is no assurance that it can be successfully commercialized due to a number of factors. Such possibilities include that the product will prove to be ineffective or unsafe during clinical trials, will fail to receive necessary domestic or foreign regulatory approvals on a timely basis, will not be accepted by patients or physicians, will be difficult to manufacture on a commercial scale, will be uneconomical to market or will be precluded from commercialization by proprietary rights of others.

The Company's success depends in part on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of others. The Company has filed applications for U.S. and foreign patents and holds several issued U.S. patents and related know-how. The Company also has exclusive licenses to certain oral vaccine delivery technologies from third parties under various U.S. patent applications. There can be no assurance that any of the Company's patent applications will be approved, that the Company will develop additional proprietary technologies that are patented, that any patents issued by the Company or its licensors will provide the Company with any competitive advantages or will not be challenged by third parties, or that the patents of others will not have an adverse effect on the ability of the Company to operate in a particular field. Patent law relating to the scope of claims in the biotechnology field is still evolving and the degree of future protection for the Company's proprietary rights is uncertain. Furthermore, there can be no assurance that others will not independently develop similar technologies, or design around patents issued to the Company. The failure by the Company to obtain appropriate patent protection may make certain of its products commercially unattractive.

The Company's strategy for the research, development, manufacture and marketing of therapeutic and vaccine products using its delivery technologies is to enter into various arrangements with corporate partners, licensors, licensees and others. The Company has no commercial-scale manufacturing or clinical trial capabilities. Therefore, the successful commercialization of the Company's therapeutic and vaccine technologies is dependent upon the Company's ability to enter into such arrangements and the ability of these third parties to perform their agreed-upon responsibilities. Although the Company believes that parties to any such arrangements would have an economic motivation to succeed in performing their contractual responsibilities, the actual performance under the arrangements is outside of the control of the Company.

Research, preclinical development, clinical trials and manufacturing and marketing of pharmaceutical products are subject to extensive, costly and rigorous regulation by government authorities in the United States and other countries. The process of obtaining required regulatory approval from the FDA and other regulatory authorities often takes many years and can vary substantially based upon the type, complexity, novelty and application of the product. As with any investigational new drug or vaccine, additional government regulations may be promulgated which could impose additional costly and time consuming testing procedures necessary to obtain regulatory approval. There can be no assurance that any products developed by the Company alone or, more than likely, in collaboration with others will be determined to be safe and efficacious in clinical trials or meet other applicable regulatory standards to receive the necessary approvals for manufacture and marketing. Even if such approvals are obtained, post-market evaluation of the products could result in limitations of the approvals. Delays in obtaining U.S. or foreign approvals could adversely affect the marketing of the Company's or co-developed products of its collaborators and diminish any competitive advantage. Even if FDA and/or foreign regulatory approvals are obtained, there can be no assurance that such products will be accepted and prescribed by physicians, or will be accepted by third party insurers or government health administration authorities as a reimbursable expense. In addition, delays in regulatory approvals that may be encountered by corporate collaborators or other licensees of the Company could adversely affect the Company's ability to receive royalties under such arrangements.

The Company operates in rapidly evolving fields. New developments are expected to continue at a rapid pace in the biotechnology industry, large pharmaceutical companies and academia. These institutions represent significant competition to the Company; this competition is intense and is expected to increase. Most of the competitors have substantially greater capital resources, research and development staffs and

facilities, and have substantially greater expertise in conducting clinical trials, obtaining regulatory approvals, and manufacturing and marketing products than the Company. There can be no assurance that developments by others will not render the Company's technologies and products employing that technology obsolete or noncompetitive.

Because of its weakened financial condition, the Company has limited its funding of its Zyn-Linker programs to the extent funded by collaborations or government grants. In particular, the Company has had to delay safety and toxicology testing for certain anti-tumor Zyn-Linkers. Limiting funding of programs increases the risk to the Company that corporate alliances may not be finalized or that competitors may render the Company's programs obsolete or noncompetitive.

Results of Operations

Revenues totaled $495,700 and $1,038,700 in the three and six months ended June 30, 1996 as compared to $49,600 and $172,700 for the corresponding periods of 1995. Revenues by major source in each of these periods were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
Collaborative revenue from ALK	$250,000	$ -	$ 518,700	$ -
Contract revenues	135,400	-	287,300	-
Government grant revenues	73,300	-	182,600	-
Other collaborative revenues	37,000	22,800	50,100	31,500
Research reagent sales	-	8,100	-	76,500
Zymmune-related sales	-	18,700	-	64,700
	$495,700	$49,600	$1,038,700	$ 172,700

Collaborative revenue from ALK is a result of a development and licensing agreement entered into between ALK and the Company in September 1995. The Company received the second $250,000 payment under the agreement in January 1996 and received the third $250,000 in April, 1996. Subsequent to the date of the financial statements discussed herein, in August, 1996, the Company received the fourth and final $250,000 payment from ALK. The Company has also recorded a limited amount of revenue related to research conducted on behalf of ALK during the six months ended June 30, 1996, and expects to record additional revenues as ALK-funded research is performed.

Contract revenues commenced late in 1995 and have been generated by the Company's Cauldron Process Chemistry division. As discussed above, the Company is currently negotiating to sell this operation and expects such sale to be completed late in 1996. After the sale of Cauldron, no additional contract revenues will be generated.

Government grant revenues represent amounts earned pursuant to two SBIR grants to develop the Company's Zyn-Linker/Heparin and Zyn-Linker/Taxol delivery systems for the treatment of restenosis. At June 30, 1996, $341,000 and $84,900 remains to be billed under the terms of a Phase II SBIR grant to develop Zyn-Linker/Heparin and a Phase I SBIR grant to develop Zyn-Linker/Taxol, respectively.

Included in 1995 revenues are research reagent and Zymmune-related sales generated by the Company's diagnostic operations, which were divested during 1995.

Research and development expenses totaled $928,700 and $1,871,600 in the three and six months ended June 30, 1996, respectively. For the corresponding periods in 1995, research and development expense totaled $1,716,700 and $2,970,100, respectively. Included in research and development expenses for the three and six months ended June 30, 1995 are $531,500 of research and development expenses for

Secretech, which the Company acquired on July 27, 1995. During the second quarter of 1995 the Company provided working capital to Secretech to fund all of Secretech's operations. Also included in research and development expenses in the three and six months ended June 30, 1995 are diagnostic-related expenses of $189,500 and $472,800. The Company completed its divestiture of these operations in the fourth quarter of 1995.

Marketing, general and administrative costs were $400,000 and $913,130 in the three and six months ended June 30, 1996, respectively, compared to $453,200 and $977,300 in the three and six months ended June 30, 1995, respectively. Reduced diagnostic marketing, travel and certain other administrative expenses have been partially offset by increased patent-related and consulting costs associated with the Company's expanded technology platforms resulting from the Secretech acquisition in July 1995.

During the six months ended June 30, 1995, in connection with the decision to divest its diagnostic operations, the Company recorded a restructuring charge of $347,400 representing severance payments, inventory buy-back payments, and certain other costs associated with and directly attributable to the decision to terminate its diagnostic operations.

Net other income of $129,700 and $221,700 in the three and six months ended June 30, 1996, respectively, primarily represents income from the Company's subleasing of certain excess space at its Malvern facility. Other income for three and six months ended June 30, 1995 was $1,113,700 and $1,113,800, respectively. Included in 1995 other income for the 1995 periods presented is a one-time gain of $1,101,300 recorded in connection with the sale of its research reagent business to Phanos Technologies, Inc.

Part II, OTHER INFORMATION
Item 6 Exhibits and Reports on Form 8-K

(a) **Exhibits**

The following is a list of exhibits filed as part of this quarterly report on Form 10-Q:

10.1	$100,000 Demand Promissory Note dated May 3, 1996 issued by the Registrant to Euclid Partners III, L.P.
10.2	Warrant dated May 3, 1996 issued by the Registrant to Euclid Partners III, L.P.
10.3	Registration Rights Agreement dated May 3, 1996 between the Registrant and Euclid Partners III, L.P.
10.4	$100,000 Demand Promissory Note dated May 3, 1996 issued by the Registrant to Plexus Ventures, Inc.
10.5	Warrant dated May 3, 1996 issued by the Registrant to Plexus Ventures, Inc.
10.6	Registration Rights Agreement dated May 3, 1996 between the Registrant and Plexus Ventures, Inc.
10.7	$250,000 Demand Promissory Note dated July 17, 1996 issued by the Registrant to S.R. One, Ltd.
10.8	Warrant dated June 7, 1996 issued by the Registrant to S.R. One, Ltd.
10.9	Marketing Rights Agreement dated July 24, 1996 between the Registrant and Phanos Technologies, Inc.

(b) **Reports on Form 8-K**

No reports on Form 8-K were filed during the quarter ended June 30, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZYNAXIS, INC.
(Registrant)

Date: August 9, 1996 By: /s/ Martyn D. Greenacre
Martyn Greenacre
President and Chief Executive Officer (Principal Executive Officer)

Date: August 9, 1996 By: /s/ Francis M. Conway
Francis Michael Conway
Controller, Treasurer and Secretary (Principal Financial and Accounting Officer)

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

BUSINESS SUMMARY

DUNS: 78-592-4580 RATING NQ
FORMERLY
--

ZYNAXIS INC

371 PHOENIXVILLE PIKE
AND BRANCH(ES) OR DIVISION(S)
MALVERN PA 19355
TEL: NONE

CONTRACT
BIOLOGICAL
RESEARCH
SIC NO.
8731

STARTED 19[illegible]7
EMPLOYS 12(12 HERE)

CHIEF EXECUTIVE: MARTYN GREENACRE, CHB-PRES-CEO

RATING CHANGE

SPECIAL EVENTS

05/27/97 According to published reports, CytRx Corp (Norcross, GA) announced that the shareholders of Zynaxis Inc (Malvern, PA) have approved the merger of Zynaxis Inc with CytRX's wholly owned subsidiary, Vaxcel Inc (Norcross, GA). The shareholders vote and closing of the merger transaction took place on May 21, 1997. The newly created company will operate under the name Vaxcel Inc and shares of common stock of Vaxcel Inc will trade under the symbol VAXL. With the closing of this transaction, Vaxcel has 11,000,000 shares outstanding with 9,625,000 held by CytRx Corp and 1,375,000 held by public shareholders.
Reference should be made to Vaxcel Inc, DUNS #80-620-9011.

CUSTOMER SERVICE

If you need any additional information, would like a credit recommendation, or have any questions, please call our Customer Service Center at (800) 234-3867 from anywhere within the U.S. From outside the U.S., please call your local D&B office.

Dun & Bradstreet

Business Information Report™

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
5:03 pm

BUSINESS SUMMARY

ZYNAXIS INC	DUNS: 78-592-4580	RATING	NQ FORMERLY
371 PHOENIXVILLE PIKE	CONTRACT		--
AND BRANCH(ES) OR DIVISION(S)	BIOLOGICAL	STARTED	1987
MALVERN PA 19355	RESEARCH	EMPLOYS	12(12 HERE)
TEL: NONE	SIC NO. 8731		

CHIEF EXECUTIVE: MARTYN GREENACRE, CHB-PRES-CEO

RATING CHANGE

SPECIAL EVENTS

05/27/97 According to published reports, CytRx Corp (Norcross, GA) announced that the shareholders of Zynaxis Inc (Malvern, PA) have approved the merger of Zynaxis Inc with CytRX's wholly owned subsidiary, Vaxcel Inc (Norcross, GA). The shareholders vote and closing of the merger transaction took place on May 21, 1997. The newly created company will operate under the name Vaxcel Inc and shares of common stock of Vaxcel Inc will trade under the symbol VAXL. With the closing of this transaction, Vaxcel has 11,000,000 shares outstanding with 9,625,000 held by CytRx Corp and 1,375,000 held by public shareholders.

Reference should be made to Vaxcel Inc, DUNS #80-620-9011.

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For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
5:03 pm

PUBLIC FILINGS

The following data is for information purposes only and is not the official record. Certified copies can only be obtained from the official source.

---

* * * SUIT(S) * * *

DOCKET NO.: 94 04906
PLAINTIFF: APOLLO GRAPHICS LTD
DEFENDANT: ZYNAXIS, INC.
WHERE FILED: BUCKS COUNTY PROTHONOTARY, DOYLESTOWN, PA

STATUS: Dismissed
DATE STATUS ATTAINED: 12/04/1996
DATE FILED: 06/27/1994
LATEST INFO RECEIVED: 03/22/1997

On 02/07/97, Monica Klos, asst controller, ZYNAXIS, INC., deferred comment on the suit.

---

* * * UCC FILING(S) * * *

COLLATERAL: Negotiable instruments including proceeds and products - Accounts receivable including proceeds and products - Inventory including proceeds and products - Account(s) including proceeds and products - and OTHERS
FILING NO: 26160053
TYPE: Original
SEC. PARTY: CYTRX CORP, NORCROSS, GA
DEBTOR: ZYNAXIS VACCINE TECHNOLOGIES INC

DATE FILED: 12/13/1996
LATEST INFO RECEIVED: 02/03/1997
FILED WITH: SECRETARY OF STATE/UCC DIVISION, PA

COLLATERAL: Negotiable instruments including proceeds and products - Accounts receivable including proceeds and products - Inventory including proceeds and products - Account(s) including proceeds and products - and OTHERS
FILING NO: 26160056
TYPE: Original
SEC. PARTY: CYTRX CORP, NORCROSS, GA
DEBTOR: ZYNAXIS INC

DATE FILED: 12/13/1996
LATEST INFO RECEIVED: 02/03/1997
FILED WITH: SECRETARY OF STATE/UCC DIVISION, PA

COLLATERAL: Specified Accounts receivable and proceeds - Specified Account(s) and proceeds
FILING NO: 22740386
TYPE: Original
SEC. PARTY: CORESTATES BANK NA, PHILADELPHIA PA
DEBTOR: ZYNAXIS INC

DATE FILED: 01/07/1994
LATEST INFO RECEIVED: 01/13/1994
FILED WITH: SECRETARY OF STATE/UCC DIVISION, PA

FILING NO: 25061590
TYPE: Termination
SEC. PARTY: CORESTATES BANK NA, PHILADELPHIA PA
DEBTOR: ZYNAXIS INC

DATE FILED: 01/16/1996
LATEST INFO RECEIVED: 01/23/1996
ORIG. UCC FILED: 01/07/1994
ORIG. FILING NO: 22740386
FILED WITH: SECRETARY OF

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
5:03 pm

PUBLIC FILINGS (continued)

STATE/UCC DIVISION, PA

COLLATERAL: Equipment
FILING NO: 25250733 DATE FILED: 03/13/1996
TYPE: Original LATEST INFO RECEIVED: 03/18/1996
ASSIGNEE: COLONIAL PACIFIC LEASING INC, TUALATIN, OR FILED WITH: SECRETARY OF STATE/UCC DIVISION, PA
DEBTOR: ZYNAXIS INC

COLLATERAL: Leased Equipment and proceeds
FILING NO: 21380199 DATE FILED: 11/17/1992
TYPE: Original LATEST INFO RECEIVED: 12/23/1992
SEC. PARTY: COMDISCO INC, ROSEMONT, IL FILED WITH: SECRETARY OF STATE/UCC DIVISION, PA
DEBTOR: ZYNAXIS INC

COLLATERAL: Leased Computer equipment
FILING NO: 25640777 DATE FILED: 07/10/1996
TYPE: Original LATEST INFO RECEIVED: 07/15/1996
ASSIGNEE: COLONIAL PACIFIC LEASING, TUALATIN, OR FILED WITH: SECRETARY OF STATE/UCC DIVISION, PA
DEBTOR: ZYNAXIS INC

FILING NO: 18380335 DATE FILED: 04/04/1990
TYPE: Original LATEST INFO RECEIVED: 10/05/1992
SEC. PARTY: COMDISCO INC, ROSEMONT, IL FILED WITH: SECRETARY OF STATE/UCC DIVISION, PA
DEBTOR: ZYNAXIS INC

The public record items contained in this report may have been paid, terminated, vacated or released prior to the date this report was printed.
06-23(867 /867) 00000 004 004 H

-- END OF REPORT --

Dun & Bradstreet

Ref.

Business Information Report™

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:41 pm

BUSINESS SUMMARY

CYTRX CORPORATION (DEL)	DUNS: 14-847-6302	RATING	4A2 FORMERLY 4A1
154 TECHNOLOGY PKWY	PHARMACEUTICAL		
AND BRANCH(ES) OR DIVISION(S)	RESEARCH COMPANY	STARTED	1985
FMLY: (8/96) 150 TECHNOLOGY	SIC NO.	SALES F	$2,595,009
PKWY	8733	WORTH F	$22,337,734
NORCROSS GA 30092		EMPLOYS	75(40 HERE)
TEL: 770 368-9500		HISTORY	CLEAR
		FINANCIAL CONDITION	STRONG
CHIEF EXECUTIVE: JACK J LUCHESE, PRES-CEO+		STATEMENT DATE	DEC 31 1996

RATING CHANGE

SPECIAL EVENTS

0 5/97 OTHER SPECIAL EVENT: According to published reports, CytRx Corp (Norcross, GA) announced that the shareholders of Zynaxis Inc (Malvern, PA) have approved the merger of Zynaxis Inc with CytRX's wholly owned subsidiary, Vaxcel Inc (Norcross, GA). The shareholders vote and closing of the merger transaction took place on May 21, 1997. The newly created company will operate under the name Vaxcel Inc and shares of common stock of Vaxcel Inc will trade under the symbol VAXL. With the closing of this transaction, Vaxcel has 11,000,000 shares outstanding with 9,625,000 held by CytRx Corp and 1,375,000 held by public shareholders.

CUSTOMER SERVICE

If you need any additional information, would like a credit recommendation, or have any questions, please call our Customer Service Center at (800) 234-3867 from anywhere within the U.S. From outside the U.S., please call your local D&B office.

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:41 pm

SUMMARY ANALYSIS

The Summary Analysis section reflects information in D&B's file as of June 23, 1997.

RATING SUMMARY . . . .

The Rating was changed on June 18, 1997 because new financial data indicates operating losses have increased as a percentage of worth. The "4A" portion of the Rating (the Rating Classification) indicates that the company has a worth from $10 million to $50 million. The "2" on the right (Composite Credit Appraisal) indicates an overall "good" credit appraisal. This credit appraisal was assigned because the financial statement in D&B's file shows net losses that are high in relation to the company's worth. However, the payment information in D&B's file indicates that the majority of this company's obligations are retired satisfactorily.

Below is an overview of the company's D&B Rating(s) since 01/01/91:

RATING	DATE APPLIED
4A2	06/18/97
4A1	09/21/96
4A2	08/27/96
--	08/19/93
ER6	11/07/91
--	01/01/91

PAYMENT SUMMARY

The Payment Summary section reflects payment information in D&B's file as of the date of this report.

The PAYDEX for this company is 79.

This PAYDEX score indicates that payments to suppliers average 2 days beyond terms, weighted by dollar amounts. When dollar amounts are not considered, approximately 92% of the company's payments are within terms.

Below is an overview of the company's dollar-weighted payments, segmented by its suppliers' primary industries:

	TOTAL RCV'D	TOTAL DOLLAR AMOUNTS	LARGEST HIGH CREDIT	% W/IN TERMS	DAYS SLOW <31	31-60	61-90	91+
	#	$	$	%	%	%	%	%
Total in D&B's file	36	32,450	7,500					
Top 10 Industries:								

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:41 pm

PAYMENT SUMMARY (continued)

1	Books-print/publish	3	5,100	5,000	99	1	-	-	-
2	Air courier service	3	2,800	2,500	100	-	-	-	-
3	Whol office supplies	3	2,350	2,500	100	-	-	-	-
4	Mfg analytic instrmnt	3	1,550	1,000	68	32	-	-	-
5	Mfg photograph equip	2	1,750	1,000	100	-	-	-	-
6	Whol appliances	1	7,500	7,500	100	-	-	-	-
7	Mfg medical instrmnt	1	2,500	2,500	50	50	-	-	-
8	Mfg computers	1	2,500	2,500	100	-	-	-	-
9	Misc coml printing	1	2,500	2,500	100	-	-	-	-
10	Whol printing paper	1	750	750	100	-	-	-	-
11	OTHER INDUSTRIES	17	2,650	750	87	13	-	-	-

Other Payment Categories:

Cash experiences	0	0	0
Payment record unknown	0	0	0
Unfavorable comments	0	0	0
Placed for collection			
with D&B	0	0	
other	0	N/A	

The highest "Now Owes" on file is $2,500
The highest "Past Due" on file is $[illegible]

The aggregate dollar amount of the 36 payment experiences in D&B's file equals 15.0% of this company's average monthly sales. In Dun & Bradstreet's opinion, payment experiences exceeding 10% of a company's average monthly sales can be considered representative of payment performance.

PAYMENTS

Antic - Anticipated (Payments received prior to date of invoice)
Disc - Discounted (Payments received within trade discount period)
Ppt - Prompt (Payments received within terms granted)

REPORTED	PAYING RECORD	HIGH CREDIT	NOW OWES	PAST DUE	SELLING TERMS	LAST SALE WITHIN
06/97	Ppt	1000	1000			1 Mo
	Ppt	750	-0-			1 Mo
	Ppt	100	-0-	-0-	N30	4-5 Mos
	Ppt	50	-0-	-0-		6-12 Mos
	Ppt	50	-0-	-0-		6-12 Mos
	Ppt		-0-	-0-		1 Mo
	Ppt-Slow 30	100	-0-	-0-	N30	2-3 Mos
	Slow 15	50	50	50		1 Mo
	Slow 30	250	-0-	-0-	1 10 N30	6-12 Mos
05/97	Ppt					
	Lease agreement					

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:41 pm

PAYMENTS (continued)

	Ppt	7500	2500	-0-	N30	1 Mo
	Ppt	2500	-0-	-0-		2-3 Mos
	Ppt	750	-0-	-0-	N10	4-5 Mos
	Ppt	500	250	-0-	Prox	1 Mo
	Ppt	50	-0-	-0-		4-5 Mos
04/97	Ppt	2500	500	-0-	N15	1 Mo
	Ppt	2500	-0-	-0-	N30	1 Mo
	Ppt	250	250	-0-	N10	1 Mo
	Ppt	50	50			1 Mo
	Ppt	50	-0-	-0-	N15	2-3 Mos
03/97	Ppt	2500	500	-0-	N30	
02/97	Ppt-Slow 15	2500	-0-	-0-	N30	4-5 Mos
01/97	Ppt	50	-0-	-0-	N30	6-12 Mos
12/96	Ppt	250	-0-	-0-	N30	6-12 Mos
	Ppt	100	-0-	-0-	N10	6-12 Mos
11/96	Ppt	50				1 Mo
	Slow 30	50				6-12 Mos
10/96	Ppt	250	100	-0-	N30	1 Mo
	Ppt-Slow 10	1000	-0-	-0-	N30	2-3 Mos
09/96	Ppt	750	750	-0-	N30	1 Mo
	Ppt	500	-0-	-0-	N30	6-12 Mos
07/96	Ppt	250	-0-	-0-		6-12 Mos
	Ppt	50	-0-	-0-	N30	6-12 Mos
06/96	Ppt	5000	-0-	-0-	2 10 N30	6-12 Mos
	Ppt	50	-0-	-0-		6-12 Mos
05/96	Ppt	100	-0-	-0-		4-5 Mos

* Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

* Each experience shown represents a separate account reported by a supplier. Updated trade experiences replace those previously reported. Amounts may be rounded to nearest figure in prescribed ranges.

FINANCE

06/16/97

	Fiscal Consolidated Dec 31 1994	Fiscal Consolidated Dec 31 1995	Fiscal Consolidated Dec 31 1996
Curr Assets	31,371,882	25,566,620	13,062,097
Curr Liabs	634,220	1,189,498	1,961,588
Current Ratio	49.4	21.4	6.65
Working Capital	30,737,662	24,377,122	11,100,509
Other Assets	7,288,685	5,393,363	11,237,225
Worth	40,501,624	29,770,485	22,337,734
Sales	2,488,018	2,543,330	2,595,009
Net Profit (Loss)	(7,700,186)	(10,652,582)	(5,791,779)

Fiscal Consolidated statement dated DEC 31 1996:

Cash	$ 1,604,003	Accts Pay	$ 586,920
Accts Rec	643,079	Accruals	1,123,476
Inventory	9,508	Unearned Revenue	251,192
Short Term			

FINANCE (continued)

Investments	10,273,108		
Other Curr Assets	532,399		
Curr Assets	13,062,097	Curr Liabs	1,961,588
Property & Equipment	5,012,809		
Long Term Investments	5,096,353	COMMON STOCK	7,945
Notes Receivable	975,000	ADDIT. PD.-IN CAP	62,353,015
Other Assets	153,063	TREASURY STOCK	(2,021,669)
		RETAINED EARNINGS	(38,301,557)
Total Assets	24,299,322	Total	24,299,322

From JAN 01 1996 to DEC 31 1996 sales $2,595,009; cost of goods sold $2,255,201. Gross profit $339,808; operating expenses $7,561,757. Operating income $(7,221,949); other income $1,430,170. (net loss) $5,791,779.

Prepared from statement(s) by Accountant: Ernst & Young LLP, Atlanta, GA.

ACCOUNTANTS OPINION: A review of the accountant's opinion indicates the financial statements meet generally accepted accounting principles and that the audit contains no qualifications.

--0--

On JUN 16 1997 Mark W Reynolds, CFO-Secretary, submitted the above figures.

HISTORY

06/16/97

JACK J [illegible]CHESE, PRES-CEO+

MARK W REYNOLDS, CFO-SEC

R MARTIN EMANUELE, V PRES OF PRE-CLINICAL DEV

WILLIAM FLECK, V PRES HUMAN RESOURCES

DIRECTOR(S): The officers identified by (+) and Herbert H McDade Jr (CHB), Raymond C Carnahan Jr, Max Link, and Jack L Bowman.

BUSINESS TYPE: Corporation - Profit

DATE INCORPORATED: 02/28/1985
STATE OF INCORP: Delaware

AUTH SHARES-COMMON: 150,000,000
PAR VALUE-COMMON: $10.1000

AUTH SHARES-PREF: 1,000
PAR VALUE-PREF: $100.1000

Delaware Corporate charter number is 2055980.

Business started 1985 by Steve Gorlin and Robert L Hunter Jr. Relocated Aug 1996 from 150 Technology Pkwy. 90.4% of capital stock is owned by the general public. 9.6% of capital stock is owned by the officers and directors.

HISTORY (continued)

Of those officers and directors owning stock, none own more than ten percent.

This is a publicly owned company whose common stock is traded on the NASDAQ Stock Exchange under the symbol CYTR.

JACK J LUCHESE born 1949. OCCUPATIONAL BACKGROUND: 1970-89 employed by Armour Pharmaceutical Company and Johnson & Johnson Company, Blue Bell, PA. 1989-present active here.

R MARTIN EMANUELE born 1954. EDUCATION: 1974-78 attended Colorado State University, Fort Collins, CO received undergraduate degree in biology. 1978-81 employed by Field Museum, Chicago, IL in research department. 1981-83 attended Northern Illinois University, Dekalb, IL and received masters degree in Biology. 1983-87 attended Loyola University, Chicago, IL received PhD in Pharmacology. OCCUPATIONAL BACKGROUND: 1987-88 employed by Dupont Critical Care, Chicago, IL as clinical research scientist. 1988-present active here.

MARK W REYNOLDS born 1961. Graduated in 1985 from the University Of Georgia, Athens, GA. OCCUPATIONAL BACKGROUND: 1985-88 was employed with Arthur Andersen LLP, Atlanta, GA. 1988-present active here.

WILLIAM FLECK born 1957. OCCUPATIONAL BACKGROUND: 1993-present active here. Prior was employed with Central Health Services, Atlanta, GA.

HERBERT H MCDADE JR born 1927. Has a graduate degree from the University of Laval, Ontario, Canada. OCCUPATIONAL BACKGROUND: 1973-86 employed by Revlon Inc; 1979-86 active as President of the International Division of the Revlon Health Care Group. Discontinued in an orderly manner. 1986-87 active in Armour Pharmaceutical Co; Chairman and President. Discontinued in an orderly manner. He is President of Thoma Corporation, a health care consulting company. 1988-present active in Chemex Pharmaceuticals Inc as Chief Executive Officer. 1991-present active here.

RAYMOND C CARNAHAN JR. OCCUPATIONAL BACKGROUND: Formerly served as manager of International Cost Analysis Planning for Johnson & Johnson International.

OUTSIDE DIRECTORS: Max Link and Jack L Bowman are local businessmen.

OPERATION

06/16/97 Operates as a pharmaceutical research company, engaged in research and development of critical care pharmaceutical products for the treatment of vascular and infectious diseases, burns, and cancer (100%).

ADDITIONAL TELEPHONE NUMBER(S): Facsimile (Fax) 770 368-0622. Revenue derived from licensing fees, product sales, and investment income. Sells to pharmaceutical manufacturers, including hospitals, universities and schools. Territory : Worldwide. Nonseasonal.

EMPLOYEES: 75 which includes officer(s). 40 employed here.

FACILITIES: Owns 14,000 sq. ft. in a one story building.

LOCATION: Suburban business section on side street.

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:41 pm

OPERATION (continued)

SUBSIDIARIES: This business has 3 subsidiaries listed below. The extent of ownership where known, is shown in parenthesis following company name:

Vetlife Inc, Norcross, GA, (100%). The subsidiary was formed in Jul 1992 and chartered in Delaware. DUNS 79-168-8112. Operates in the animal health field and will initially pursue development of parent company's animal growth promoting technology. Has a sales office in Winterset, IA.

Vaxcel Inc, Norcross, GA, (100%). The subsidiary was formed in Jan 1993 and chartered in Delaware. DUNS 80-620-5011. Operations will focus on the development and commercialization of new vaccine adjuvant systems which have evolved from the core CytRx copolymer technology.

Proceeutics Inc, Norcross, GA, started 1996. Operates as a research and development service.

06-23(190 /190) 00000000 069 069 H

-- END OF REPORT --

Dun & Bradstreet

Research org

Business Information Report™

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:30 pm

BUSINESS SUMMARY

VAXCEL INC
(SUBSIDIARY OF CYTRX CORPORATION (DEL), NORCROSS, GA)

154 TECHNOLOGY PKWY
AND BRANCH(ES) OR DIVISION(S)
NORCROSS GA 30092
TEL: 770 453-0195

DUNS: 80-620-9011

PHARMACEUTICAL RESEARCH COMPANY
SIC NO. 8733

RATING --
STARTED 1993
EMPLOYS 17(5 HERE)
HISTORY INCOMPLETE

CHIEF EXECUTIVE: PAUL WILSON, PRES-CEO

SPECIAL EVENTS

06/17/97 OTHER SPECIAL EVENT: According to published reports, Vaxcel Inc, a subsidiary of Cytrx Corp, began trading June 16, 1997, under the symbol VXCL. The newly traded company is the result of a May 21, 1997, merger between Zynaxix Inc and Vaxcel Inc.

05/22/97 MERGER/ACQUISITION: According to published reports, CytRx Corp (Norcross, GA) announced that the shareholders of Zynaxis Inc (Malvern, PA) have approved the merger of Zynaxis Inc with CytRX's wholly owned subsidiary, Vaxcel Inc (Norcross, GA). The shareholders vote and closing of the merger transaction took place on May 21, 1997. The newly created company will operate under the name Vaxcel Inc and shares of common stock of Vaxcel Inc will trade under the symbol VAXL. With the closing of this transaction, Vaxcel has 11,000,000 shares outstanding with 9,625,000 held by CytRx Corp and 1,375,000 held by public shareholders.

CUSTOMER SERVICE

If you need any additional information, would like a credit recommendation, or have any questions, please call our Customer Service Center at (800) 234-3867 from anywhere within the U.S. From outside the U.S., please call your local D&B office.

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:30 pm

SUMMARY ANALYSIS

The Summary Analysis section reflects information in D&B's file as of June 23, 1997.

RATING SUMMARY . . . .

The absence of a Rating (--) indicates that the information available to D&B does not permit us to assign a Rating to this business. In this case, no Rating was assigned because D&B does not have sufficient historical information about this company to assign a Rating.

Below is an overview of the company's D&B Rating(s) since 08/31/93:

RATING	DATE APPLIED
--	08/31/93

PAYMENT SUMMARY

The Payment Summary section reflects payment information in D&B's file as of the date of this report.

The PAYDEX for this company is 70.

This PAYDEX score indicates that payments to suppliers average 15 days beyond terms, weighted by dollar amounts. When dollar amounts are not considered, approximately 93% of the company's payments are within terms.

Below is an overview of the company's dollar-weighted payments, segmented by its suppliers' primary industries:

	TOTAL RCV'D	TOTAL DOLLAR AMOUNTS	LARGEST HIGH CREDIT	% W/IN TERMS	DAYS SLOW <31	31-60	61-90	91+
	#	$	$	%	%	%	%	%
Total in D&B's file	8	5,250	2,500					
Payment By Industry:								
1 Whol misc profsn eqpt	2	2,600	2,500	52	-	48	-	-
2 Mfg photograph equip	2	1,500	1,000	100	-	-	-	-
3 Mfg medical instrmnt	1	500	500	100	-	-	-	-
4 Mfg diagnostic prdts	1	500	500	100	-	-	-	-
5 Whol durable goods	1	100	100	100	-	-	-	-
6 Air courier service	1	50	50	100	-	-	-	-
Other Payment Categories:								
Cash experiences	0	0	0					
Payment record unknown	0	0	0					

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:30 pm

***PAYMENT SUMMARY** (continued)*

Unfavorable comments	0	0	0
Placed for collection			
with D&B	0	0	
other	0	N/A	

The highest "Now Owes" on file is $2,500
The highest "Past Due" on file is $250

D&B receives over 220 million payment experiences each year. We enter these new and updated experiences into D&B Reports as this information is received.

PAYMENTS

Antic - Anticipated (Payments received prior to date of invoice)
Disc - Discounted (Payments received within trade discount period)
Ppt - Prompt (Payments received within terms granted)

REPORTED	PAYING RECORD	HIGH CREDIT	NOW OWES	PAST DUE	SELLING TERMS	LAST SALE WITHIN
06/97	Ppt	1000	500			1 Mo
	Ppt	500	100			1 Mo
	Ppt	100	-0-	-0-	1 10 N30	2-3 Mos
05/97	Ppt	500	-0-	-0-	N30	6-12 Mos
04/97	Ppt	50	-0-	-0-	N15	6-12 Mos
	Ppt-Slow 60	2500	2500	250	N30	1 Mo
02/97	Ppt	500	-0-	-0-	N30	6-12 Mos
06/96	Ppt	100	-0-	-0-	N30	6-12 Mos

* Payment experiences reflect how bills are met in relation to the terms granted. In some instances payment beyond terms can be the result of disputes over merchandise, skipped invoices etc.

* Each experience shown represents a separate account reported by a supplier. Updated trade experiences replace those previously reported. Amounts may be rounded to nearest figure in prescribed ranges.

FINANCE

10/16/96

	Fiscal Dec 31 1993
Curr Assets	388,993
Curr Liabs	434,110
Current Ratio	.896
Working Capital	(45,117)
Other Assets	436,907
Worth	(1,437,183)

Sources contacted verified information on October 16, 1996.
Financial information not available.

For: CHERYL PHILLIPS
NUCLEAR REGULATORY COMMISSION

June 23, 1997
4:30 pm

HISTORY

05/30/97

PAUL WILSON, PRES-CEO
DIRECTOR(S): THE OFFICER(S)

Business started Jan 1993 by Jack J Luchese. Present control succeeded Jul 1993. 100% of capital stock is owned by parent. This corporation is funded through a line of credit from parent company. No starting capital involved.

PAUL WILSON. Previously with American Cyanamid's Lederle-Praxis Biologicals Division, where he served as vice president and general manager. In other recent positions, he was vice president of marketing where he had full marketing responsibility for Lederle's US Pharmaceutical Business. Prior to that, he was general manager for Lederle International's Canadian Operations.

OPERATION

05/30/97 Subsidiary of Cytrx Corporation (del), norcross, GA started 1985 which operates as a pharmaceutical research company. Parent company owns 100% of capital stock.

As noted, this company is a subsidiary of Cytrx Corporation (del), DUNS number 148476302, and reference is made to that report for background information on the parent company and its management. The parent company has submitted the following consolidated figures dated December 31, 1993: Current Assets $4,879,526; Current Liabilities $2,074,992; Total Assets $49,760,261; Total Equity $47,685,269; Total Sales $4,544,538 and Net Loss $3,228,600.

Pharmaceutical research organization specializing in vaccines (100%).

Terms are undetermined. Sells to hospitals, universities and corporate concerns. Territory : International.
Nonseasonal.

EMPLOYEES: 17 which includes officer(s). 5 employed here.
FACILITIES: Occupies premises in building.
LOCATION: Undetermined section.

06-23(10N /108) 00000 148476302 069114114 H
NationsBank of Georgia, 35 Broad St, Atlanta, GA

-- END OF REPORT --

NRC FORM 578
(7-95)

SMALL ENTITY STATUS DENIAL

INVOICE NUMBER
AM2491-96

LICENSE NUMBER
37-28518-02

LICENSE FEE AND DEBT COLLECTION BRANCH
DIVISION OF ACCOUNTING AND FINANCE
OFFICE OF THE CONTROLLER
U.S. NUCLEAR REGULATORY COMMISSION
WASHINGTON, DC 20555-0001

The enclosed Certification of Small Entity Status (NRC Form 526) is being returned because of the blocks checked below. Enclosed also is an additional copy of NRC Form 526 for your use. If you determine that you qualify as a small entity under a different size standard, the completed form must be returned within 10 days to the address listed above.

Zynaxis, Inc.
ATTN: Francis M. Conway
Controller, Treasurer & Secretary
371 Phoenixville Pike
Malvern, PA 19355

- ☐ The license number must be entered exactly as it appears on the annual fee invoice.
- ☐ The invoice number must be entered exactly as it appears on the annual fee invoice.
- ☐ The name and address must be entered as it appears on the invoice.
- ☐ The size standard box has not been checked. Check one box only.
- ☐ More than one size standard box was checked. Check one box only.

Gross annual receipts as used in the size standards include all revenue in whatever form received or accrued from whatever sources, not solely receipts reported from licensed activities.

- ☐ The size standards apply to the licensee, not the individual authorized users listed in the license.
- ☒ A subsidiary of a large entity does not qualify as a small entity under the NRC's size standards.

Governmental jurisdictions referred to in the size standards are governments of cities, counties, towns, townships, villages, school districts, or special districts.

- ☐ Governmental jurisdictions with a population over 50,000 do not qualify as small entities.
- ☐ You do not meet the criteria of a governmental jurisdiction.
- ☐ The educational institution is not supported by a qualifying governmental jurisdiction.
- ☐ Federal agencies do not qualify as small entities.
- ☐ State agencies do not qualify as small entities.
- ☐ The hospital is classified as a Nongovernmental Not-For-Profit Organization in the American Hospital Association Guide.

An educational institution referred to in the size standards is an entity whose primary function is education, whose programs are accredited by a nationally recognized accrediting agency or association, who is legally authorized to provide a program of organized instruction or study, who provides an educational program for which it awards academic degrees, and whose educational programs are available to the public.

- ☐ You do not meet the criteria of an educational institution.

- ☒ The form is not required if you do not meet the size standards.
- ☐ NRC Form 526 has not been signed by the Certifying Official.
- ☒ OTHER: Your license is

Zynaxis, Inc. is classified as a concern which provides a service.

SIGNATURE – LICENSE FEE ANALYST	LFDCB	LFDCB	Distribution:	DATE
Cheryl A. Phillips	CAPhillips		MAF Correspondence FY 96 LFDCB Chief LFDCB Analyst Invoice File w/encl LFDCB R/F (2) DAF R/F	8-15-96
	8/15/96			

THE MINIMAL INFORMATION REQUESTED FOR THIS CERTIFICATION DOES NOT CONSTITUTE AN INFORMATION COLLECTION AND, THEREFORE, DOES NOT REQUIRE OMB APPROVAL

NRC FORM 526 (4-96) 10 CFR 171

U.S. NUCLEAR REGULATORY COMMISSION

INVOICE NUMBER: AM2487 -97

LICENSE NUMBER: 37-28318-02

CERTIFICATION OF SMALL ENTITY STATUS FOR THE PURPOSES OF ANNUAL FEES IMPOSED UNDER 16 CFR PART 171 FY 96

To be completed ONLY by those licensees who meet the size standards below. See instructions on reverse side.

NAME AND ADDRESS OF LICENSEE *(as it appears on the invoice)*:

ZYNAXIS . INC
377 PHOENIXVILLE PIKE
MALVERN PA 19355

If a licensee qualifies as a small entity under the size standards below and completes this form (NRC Form 526), the licensee may pay the reduced annual fee for each category applicable to the license. A separate form must be submitted for each invoice. Submit the required reduced annual fee with the "Payment Copy" of the invoice and the NRC Form 526 to:

License Fee and Accounts Receivable
U.S. Nuclear Regulatory Commission
P.O. Box 954514
St. Louis, MO 63195-4514

SIZE STANDARDS (Check one box only)		MAXIMUM ANNUAL FEE PER LICENSED CATEGORY (See Item 3. on back)
1. **SMALL BUSINESS** A for-profit concern that provides a service or a concern not engaged in manufacturing with average gross receipts of $5 million or less over its last 3 completed fiscal years.		
	☐ A. $350,000 TO $5,000,000	$1,800
	☐ B. LESS THAN $350,000	$ 400
2. **MANUFACTURING INDUSTRY** A manufacturing concern with an average number of 500 or fewer employees based upon employment during each pay period for the preceding 12 calendar months.		
	☐ A. 35 TO 500 EMPLOYEES	$1,800
	☒ B. LESS THAN 35 EMPLOYEES	$ 400
3. **SMALL ORGANIZATION** A not-for-profit organization which is independently owned and operated and has annual gross receipts of $5 million or less.		
	☐ A. $350,000 TO $5,000,000	$1,800
	☐ B. LESS THAN $350,000	$ 400
4. **SMALL GOVERNMENTAL JURISDICTION (INCLUDING PUBLICLY SUPPORTED EDUCATIONAL INSTITUTIONS [1])** A government of a city, county, town, township, village, school district, or special district with a population of less than 50,000.		
	☐ A. 20,000 TO 50,000 POPULATION	$1,800
	☐ B. LESS THAN 20,000 POPULATION	$ 400
5. **SMALL EDUCATIONAL INSTITUTION THAT IS NOT STATE OR PUBLICLY SUPPORTED AND HAS 500 OR FEWER EMPLOYEES [1]**		
	☐ A. 35 TO 500 EMPLOYEES	$1,800
	☐ B. LESS THAN 35 EMPLOYEES	$ 400

[1] An educational institution referred to in the size standards is an entity whose primary function is education, whose programs are accredited by a nationally recognized accrediting agency or association, who is legally authorized to provide a program of organized instruction or study, who provides an educational program for which it awards academic degrees, and whose educational programs are available to the public.

CERTIFICATION

This certification MUST be signed by the owner of the entity named above or an official empowered to act on behalf of the entity.

I certify that the above named NRC licensee qualifies as a small entity under the size standards established by the NRC for its licensees in 10 CFR 2.810 (60 FR 18344). The licensee qualifies as a small entity under the specific size standard indicated above.

WARNING: 18 U.S.C. Section 1001, Act of June 25, 1948, 62 Stat. 749, makes it a criminal offense to make a willfully false statement or representation to any Department or Agency of the United States as to any matter within its jurisdiction. The submittal of willful false statements is punishable by fine or imprisonment, or both, and for purposes of this certification, may result in revocation or suspension of the license.

I CERTIFY UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.	TYPED OR PRINTED NAME AND TITLE	SIGNATURE	DATE
	FRANCO M. COUNEY Controller, Treasurer, & Secretary Zynaxis, Inc		6-20-96

NRC FORM 526 (4-96) PRINTED ON RECYCLED PAPER

The minimal information requested for this certification does not constitute a information collection and, therefore, does not require OMB approval.

NRC FORM 526
(10-96)
10 CFR 171

U.S. NUCLEAR REGULATORY COMMISSION

CERTIFICATION OF SMALL ENTITY STATUS FOR THE PURPOSES OF ANNUAL FEES IMPOSED UNDER 10 CFR PART 171 FY 1997

SEE IMPORTANT INSTRUCTIONS ON THE REVERSE SIDE

NAME AND ADDRESS OF LICENSEE (as it appears on the invoice)

ZYNAXIS, INC
383 ~~371~~ PHOENIXVILLE PIKE
MALVERN PA 19355

INVOICE NUMBER: AM2491 -96

LICENSE NUMBER: 37-28318-02

STANDARD INDUSTRIAL CLASSIFICATION CODE
SIC see letter

SIZE STANDARDS (Check one box only) DO NOT RETURN THIS FORM IF YOU DO NOT QUALIFY UNDER ONE OF THESE SIZE STANDARDS		MAXIMUM ANNUAL FEE PER LICENSED CATEGORY (See Items 2 and 3 on back)
1. **SMALL BUSINESS** A for-profit concern that provides a service or a concern not engaged in manufacturing with average gross receipts of $5 million or less over its last 3 completed fiscal years.		
	☐ A. $350,000 TO $5,000,000	$ 1,800
	☐ B. LESS THAN $350,000	$ 400
2. **MANUFACTURING INDUSTRY** A manufacturing concern with an average number of 500 or fewer employees based upon employment during each pay period for the preceding 12 calendar months.		
	☐ A. 35 to 500 EMPLOYEES	$ 1,800
	☒ B. LESS THAN 35 EMPLOYEES	$ 400
3. **SMALL ORGANIZATION** A not-for-profit organization that is independently owned and operated and has annual gross receipts of $5 million or less.		
	☐ A. $350,000 TO $5,000,000	$ 1,800
	☐ B. LESS THAN $350,000	$ 400
4. **SMALL GOVERNMENTAL JURISDICTION (INCLUDING PUBLICLY SUPPORTED EDUCATIONAL INSTITUTIONS** [1] A government of a city, county, town, township, village, school district, or special district with a population of less than 50,000.		
	☐ A. 20,000 TO 50,000 POPULATION	$ 1,800
	☐ B. LESS THAN 20,000 POPULATION	$ 400
5. **SMALL EDUCATIONAL INSTITUTION THAT IS NOT STATE OR PUBLICLY SUPPORTED AND HAS 500 OR FEWER EMPLOYEES** [1]		
	☐ A. 35 to 500 EMPLOYEES	$ 1,800
	☐ B. LESS THAN 35 EMPLOYEES	$ 400

[1] An educational institution referred to in the size standards is an entity whose primary function is education, whose programs are accredited by a nationally recognized accrediting agency or association, who is legally authorized to provide a program of organized instruction or study, who provides an educational program for which it awards academic degrees, and whose educational programs are available to the public.

CERTIFICATION

This certification MUST be signed by the owner of the entity named above or an official empowered to act on behalf of the entity.

I certify that the above named NRC licensee qualifies as a small entity under the size standards established by the NRC for its licensees in 10 CFR 2.810 (60 CFR 18344). The licensee qualifies as a small entity under the specific size standard indicated above.

WARNING: 18 U.S.C. Section 1001, Act of June 25, 1948, 62 Stat. 749, makes it a criminal offense to make a willfully false statement or representation to any Department or Agency of the United States as to any matter within its jurisdiction. The submittal of willful false statements is punishable by fine or imprisonment, or both, and for purposes of this certification, may result in revocation or suspension of the license.

I CERTIFY UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT.	TYPED OR PRINTED NAME AND TITLE	SIGNATURE	DATE
	WILHELMUS C. KOKKE RSO	W Kokke	3/26/97

NRC FORM 526 (10-96)

IMPORTANT INSTRUCTIONS FOR NRC FORM 526 -- PLEASE READ CAREFULLY
DO NOT COMPLETE OR RETURN THIS FORM IF YOU DO NOT QUALIFY AS A SMALL ENTITY

CERTIFICATION OF SMALL ENTITY STATUS FOR THE PURPOSES OF ANNUAL FEES IMPOSED UNDER 10 CFR PART 171 FY 1997

A licensee who qualifies as a small entity under a specific size standard established by the NRC may pay a reduced annual fee by filing the required certification on NRC Form 526, which is on the reverse side of this page. A separate NRC Form 526 is required for each invoice. Licensees who do not qualify under one of the size standards shown on NRC Form 526 should disregard this form.

1. Complete all items on NRC Form 526 as follows: **(NOTE: Incomplete or improperly completed forms will be returned as unacceptable.)**

   - Enter the license number and invoice number exactly as they appear on the annual fee invoice.
   - Enter the Standard Industrial Classification (SIC) code if it is known. If it is not known, leave this item blank.
   - Enter the licensee's name and address exactly as they appear on the invoice. Annotate name and/or address changes for billing purposes on the payment copy of the invoice. Correcting the name and/or address on NRC Form 526 or on the invoice does not constitute a request to amend the license.
   - Check the appropriate size standard under which the licensee qualifies as a small entity. Check one box only. Note the following:

     a. The size standards apply to the licensee, not the individual authorized users listed in the licenso.

     b. Gross annual receipts as used in the size standards includes all revenue in whatever form received or accrued from whatever sources, not solely receipts from licensed activities.

     c. A licensee who is a subsidiary of a large entity does not qualify as a small entity.

   - The owner of the entity, or an official empowered to act on behalf of the entity, must sign and date the certification.

2. If the invoice states the "Amount Billed Represents 50% Proration," the amount due is not the prorated amount shown on the invoice but rather one-half of the maximum annual fee shown on NRC Form 526 for the size standard under which the licensee qualifies (either $900 or $200) for each category billed.

3. If the invoice amount is less than the reduced small entity annual fee, pay the amount on the invoice; there is no further reduction. In this case, NRC Form 526 does not have to be filed.

4. The completed NRC Form 526 must be submitted with the required annual fee payment and the "Payment Copy" of the invoice to the address shown on the invoice.

DO NOT RETURN THIS FORM IF YOU DO NOT QUALIFY AS A SMALL ENTITY