U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended March 31, 2000

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

For the transition period from to

Commission file number 0-26918

CYTOCLONAL PHARMACEUTICS INC.
(Exact Name of Small Business Issuer as Specified in Its Charter)

<TABLE>
<S> <C>
Delaware 75-2402409
(State or Other jurisdiction of incorporation or Organization) (I.R.S. Employer Identification Number)
</TABLE>

9000 Harry Hines Boulevard, Suite 621, DALLAS, TEXAS 75235
(Address of Principal Executive Offices)

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

(Former Name, Former Address and Former Fiscal Year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by section 13 or 15(d) of the exchange act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 15,648,494 shares of common stock, $.01 par value, outstanding as of May 11, 2000.

CYTOCLONAL PHARMACEUTICS INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CYTOCLONAL PHARMACEUTICS INC.

BALANCE SHEETS

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ASSETS	MARCH 31 2000 (unaudited)	DECEMBER 31, 1999
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Current assets:		
Cash (principally money market)	$ 16,499,000	$ 3,213,000
Subscriptions receivable (collected in April)		$ 575,000
Prepaid expenses and other current assets	171,000	135,000
Total current assets	17,245,000	3,348,000
Equipment, net	270,000	285,000
Patent rights, less accumulated amortization of $679,000 and $654,000	755,000	780,000
Notes receivable-officer/stockholder-9.75% due April 30, 2003	137,000	74,000
Other assets	4,000	4,000
T O T A L	$ 18,411,000	$ 4,491,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable and accrued expenses	740,000	682,000
Deferred revenue from research and development collaborative contract	387,000	207,000
Current portion of royalties payable	125,000	135,000
Total current liabilities	1,252,000	1,024,000
Royalties payable less current portion	844,000	875,000
Total liabilities	2,096,000	1,899,000
Stockholders' equity:		
Preferred stock - $.01 par value, 10,000,000 shares authorized; 745,031 and 728,903 shares of Series A convertible preferred issued and outstanding at March 31, 2000 and December 31, 1999, respectively (liquidation value $1,863,000 and $1,822,000 at March 31, 1000 and December 31, 1999, respectively)	7,000	7,000
Common Stock - $.01 par value, 30,000,000 shares authorized: 12,804,560 and 10,377,753 shares issued and outstanding at March 31, 2000 and December 31, 1999, respectively	128,000	104,000
Additional paid-in capital	42,389,000	24,759,000
Unearned compensatory cost	(1,601,000)	(89,000)
Accumulated Deficit	(24,608,000)	(22,189,000)
Total Stockholders' Equity	16,315,000	2,592,000
T O T A L	$ 18,411,000	$ 4,491,000

</TABLE>

CYTOCLONAL PHARMACEUTICS INC.

STATEMENTS OF OPERATIONS
(UNAUDITED)

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	Three Months Ended March 31,	
	2000	1999
		(note 4)
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Revenue:		
Licensing & research collaborative agreement	$ 344,000	$ 233,000
Operating Expenses:		
Research and development	$ 577,000	$ 872,000
General and administrative	2,265,000	513,000
	2,842,000	1,385,000

Operating (loss)	(2,498,000)	(1,152,000)
Other (Income) expenses:		
Interest (income)	(81,000)	(69,000)
Interest expense	2,000	2,000
	(79,000)	(67,000)
NET (LOSS)	$ (2,419,000)	$ (1,085,000)
Preferred stock dividend	$ (47,000)	(49,000)
Net loss attributable to common shareholders	(2,466,000)	(1,134,000)
Net loss per share - basic and diluted	$ (0.22)	$ (0.11)
Weighted average number of shares outstanding - basic and diluted	11,156,000	10,268,000

</TABLE>

CYTOCLONAL PHARMACEUTICS INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

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	THREE MONTHS ENDED MARCH 31,	
	2000	1999
<S>	<C>	<C>
Cash flows from operating activities:		
Net (loss)	$ (2,419,000)	$ (1,085,000)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation and amortization	40,000	30,000
Value assigned to common shares and options	1,347,000	291,000
Changes in:		
Prepaid expenses and other current assets	(36,000)	(90,000)
Deferred revenue	180,000	266,000
Accounts payable and accrued expenses	58,000	57,000
Net cash (used in) operating activities	(830,000)	(531,000)
Cash flows from investing activities:		
Notes receivable - officer/shareholder	(63,000)	
Purchase of equipment		(47,000)
Net cash used in investing activities	(63,000)	(47,000)
Cash flows from financing activities:		
Proceeds from exercise of options and warrants	14,220,000	24,000
Payment of royalties	(41,000)	(31,000)
Net cash provided(used in)financing activities	14,179,000	(7,000)
NET INCREASE (DECREASE) IN CASH	13,286,000	(585,000)
Cash at beginning of period	3,213,000	6,826,000

CASH AT END OF PERIOD	$ 16,499,000	$ 6,241,000

</TABLE>

CYTOCLONAL PHARMACEUTICS INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2000
(unaudited)

(1) FINANCIAL STATEMENT PRESENTATION

The unaudited financial statements of Cytoclonal Pharmaceutics Inc., a Delaware corporation (the "Company"), included herein have been prepared in accordance with the rules and regulations promulgated by the Securities and Exchange Commission and, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary to present fairly the results of operations for the interim periods presented. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes thereto should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999. The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

(2) RESEARCH AND COLLABORATIVE AGREEMENT

In June 1998, the Company entered into a license and research agreement with Bristol-Myers Squibb ("BMS") on two technologies related to production of paclitaxel, the active ingredient in BMS's largest selling cancer product, Taxol(R). The agreement includes fees, milestone payments, research and development support and minimum and sales based royalties.

(3) LOSS PER COMMON SHARE

Basic and diluted loss per common share is based on the net loss increased by dividends on preferred stock divided by the weighted average number of common shares outstanding during the year. No effect has been given to outstanding options, warrants of convertible preferred stock in the diluted computation as their effect would be antidilutive.

(4) REVENUE RECOGNITION AND CHANGE IN ACCOUNTING PRINCIPLE

Revenue from research support agreements is recognized as the expenses for research and development activities performed under the terms of the agreements are incurred. Revenue resulting from the achievement of milestones is recognized when the milestone is achieved. Amounts received in advance of services to be performed are recorded as deferred revenue. In December 1999, the staff of the Securities and Exchange Commission issued an accounting bulletin on revenue recognition which

provides, among other matters, that nonrefundable license fees should be recognized over the period of performance of related research and development activities. Accordingly, the Company changed its accounting policy from recognizing revenue from nonrefundable license fees at signing of agreement to deferring and recognizing such fees over the period of performance of related research and development activities.

Effective January 1, 1999, the Company reflected this change in accounting principle as a cumulative effect on prior years of $422,000. Payments to third parties in connection with nonrefundable license fees are being recognized over the period of performance of related research and development activities. This change in accounting principle would have resulted in an increase in revenues and research and development expenses and a decrease in net loss of approximately $94,000, $24,000 and $70,000, respectively for the three months ended March 31, 1999 if it was retroactively applied. The corresponding impact on net loss per share would be a decrease from $(0.11) to $(0.10) if this change in accounting principle were retroactively applied.

(5) STOCKHOLDERS EQUITY

On February 7, 2000, the Company gave notice to the holders of our Class C Warrants that it was exercising its right of redemption effective March 9, 2000. Through March 14, 2000 the Company received approximately $12,953,000 from the exercise of 1,992,829 such warrants. On March 13, 2000 the Company gave notice to the holders of its Class D Warrants that it was exercising its right of redemption effective April 12, 2000. Through April 14, 2000 the Company received approximately $25,742,000 from the exercise of 2,941,905 such warrants. Additionally, through April 30, 2000 the Company received proceeds of approximately $945,000 from the exercise of 208,971 other warrants.

In January 2000 the Board of Directors approved the 2000 Employee Option Plan (the "Plan") authorizing up to 1,000,000 shares, subject to approval of the plan by a majority of our shareholders. We granted 116,000 options to purchase shares of Common Stock under the Plan at an exercise price of $7.438 per share to officers, directors, employees and consultants of the Company.

At the time of such stockholder approval, if the market value of the Company's stock exceeds the exercise price of the subject options noted above, the Company will incur a non-cash charge to earnings equal to the spread between the exercise price and the option and market price, times the number of options involved.

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which establishes a fair value-based method of accounting for stock-based compensation plans. The Company has adopted the disclosure-only alternative under SFAS No. 123. The Company accounts for stock based compensation to nonemployees using the fair value method in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) 96-18. The Company has recognized deferred stock compensation related to certain stock option and warrants grants. During the three months under March 31, 2000 the Company granted 25,000 and 300,000 warrants to purchase shares of common stock at $12.00 and $15.00 per share, respectively in return for financial advisory services. The Company valued these warrants based on the Black-Scholes option pricing. In connection herewith the Company recorded a charge of $1,268,000 during the three months ended March 31, 2000. In connection with other option grants to consultants the Company recorded a charge of $79,000 during the three months ended March 31, 2000.

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

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this report. This discussion contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this report, the words "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. The Company's actual results, performance or achievements could differ materially from those expressed in, or

implied by, these forward-looking statements. Historical operating results are not necessarily indicative of the trends in operating results for any further period.

We were organized and commenced operations in September 1991, and until July 1998 we were in the development stage. To this day, our efforts have been principally devoted to research and development activities and organizational efforts, including the development of products for the treatment of cancer and infectious diseases, recruiting our scientific and management personnel and advisors and raising capital.

Our plan of operation for the next 12 months will consist of research and development and related activities aimed at:

- Continued collaboration with Bristol-Myers Squibb on the development of Paclitaxel production from Fermentation and Paclitaxel-specific genes using genetic engineering.

- Further development of the treatment of polycystic kidney disease with Paclitaxel or related compound, a potential new Paclitaxel indication, and establishing a strategic partnership.

- Development of our rational drug design program using Quantum Core Technology(TM), which targets proteins.

- Further development of our OASIS(TM) optimized antisense genome library, which targets genes.

- Development of an alternative production system for glucocerebrosidase, the deficient enzyme in Gaucher's disease.

- Evaluation of potential new proprietary microbial anticancer drugs with Bristol-Meyers Squibb.

- Further development of a diagnostic test using the patented LCG gene and related MAb to test in vitro serum, tissue or respiratory aspirant material for the presence of cells which may indicate a predisposition to, or early sign of, lung or other cancers.

- Further testing of peptide from UCLA for inhibition of breast cancer via steroid receptors.

- Further analysis of the TNF-PEG technology as an anticancer agent in animal studies.

- Testing proprietary vectors, which have been constructed for the expression of specific proteins that may be utilizable for vaccines for different diseases using Mycobacteria.

- Developing a humanized antibody specific or peptide specific for the protein associated with the LCG gene and, if successful, submission of an IND for clinical trials.

- Making improvements to the Company's laboratory facilities and corporate facilities.

- Hiring additional technical and administrative staff.

- Seeking to establish strategic partnerships for the development, marketing, sales and manufacturing of the Company's proposed products.

Our actual research and development and related activities may vary significantly from current plans depending on numerous factors, including changes in the costs of such activities from current estimates, the results of our research and development programs, the results of clinical studies, the timing of regulatory submissions, technological advances, determinations as to

commercial potential and the status of competitive products. The focus and direction of our operations will also be dependent upon the establishment of collaborative arrangements with other companies, the availability of financing and other factors. The funded research and development program, if not renewed, terminates during the year ended December 31, 2000 and thereafter our future revenues depend upon the achievement of certain milestones related to product development and royalties based on product sales.

RESULTS OF OPERATIONS

Revenue

We recognized revenues of $344,000 and $233,000 for the three months ended March 2000, and 1999, respectively. The increase in revenue from 1999 to 2000 was attributable to license and research and development payments from our agreements with Bristol-Myers Squibb.

Research and Development Expenses

We incurred research and development expenses of $577,000 and $872,000 for the three months ended March 2000 and 1999, respectively. The decrease in research and development expenses in 2000 from 1999 was due to a $17,000 decrease in laboratory supply expenses, a $17,000 decrease in funding at the Research & Development Institute, Inc., a $365,000 decrease in technology costs associated with the acquisition of Quantum Core Technology(TM) and a $53,000 decrease in contract labor and payroll taxes, partially offset by a $20,000 increase in rent expense due to expansion of facilities a $28,000 increase in funding for the research program at Washington State University and a $45,000 increase in expenses for contracted research.

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

General and Administrative Expenses

We incurred general and administrative expenses of $2,265,000 and $513,000 for the three months ended March 2000, and 1999, respectively. The increase in general and administrative expenses in 2000 from 1999 was attributable to a $1,556,000 increase in public and financial relations costs including $1,267,000 in value assigned to warrants granted to our financial advisors, $21,000 increase in consulting fees, and a $189,000 increase in legal and professional fees.

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

Interest Income

Interest income was $81,000 and $69,000 for the three months ended March 2000 and 1999, respectively. The increase in interest income is due to the increase in available cash balances resulting from the exercise of warrants.

Change in accounting principle - Revenue recognition

In December 1999, the staff of the Securities and Exchange Commission issued an accounting bulletin on revenue recognition which provides, among other matters, that nonrefundable license fees should be recognized over the period of performance of related research and development activities. Accordingly, we changed our accounting policy from recognizing revenue from nonrefundable license fees at signing of agreement to deferring and recognizing such fees over the period of performance of related research and development activities. Effective January 1, 1999, we reflected this change in accounting principle as a cumulative effect on prior years of $422,000, which is shown in the statement of operations. Payments to third parties in connection with nonrefundable license fees are being recognized over the period of performance of related research and development activities.

This change in accounting principle would have resulted in an increase in revenues and research and development expenses and a decrease in net loss of approximately $94,000, $24,000 and $70,000, respectively for the three months ended March 31, 1999 if it was respectively applied. The corresponding impact on net loss per share would be a decrease from $(0.11) to $(0.10) if this change in accounting principle were respectively applied.

Net Losses

We incurred net losses of $2,419,000 and $1,085,000 for the three months ended March 2000 and 1999, respectively. The increase in net losses in 2000 from 1999 was attributable to increased operating expenses, partially offset by in increase in revenue from the Bristol-Myers Squibb license and research and development agreements and an increase in interest income.

Liquidity and Capital Resources

At March 31, 2000, we had cash of approximately $16,499,000. Since inception we have financed our operations from debt and equity financings as well as fees received from licensing and research and development agreements. During the three months ended March 31, 2000, we used cash of approximately $830,000 to fund our operating activities, principally caused by the net loss of $2,419,000. In addition, during the three months ended 2000 we used approximately $63,000 to fund our investing activities, principally caused by a loan to an officer/shareholder of $63,000.

On February 7, 2000, the Company gave notice to the holders of our Class C Warrants that it was exercising its right of redemption effective March 9, 2000. Through March 14, 2000 the Company received approximately $12,953,000 from the exercise of 1,992,829 such warrants. On March 13, 2000 the Company gave notice to the holders of its Class D Warrants that it was exercising its right of redemption effective April 12, 2000. Through April 14, 2000 the Company received approximately $25,742,000 from the exercise of 2,941,905 such warrants. Additionally, through April 30, 2000 the Company received proceeds of approximately $945,000 from the exercise of 208,971 other warrants.

In January 2000 the Board of Directors approved the 2000 Employee Option Plan (the "Plan") authorizing up to 1,000,000 shares, subject to approval of the plan by a majority of our shareholders. We granted 116,000 options to purchase shares of Common Stock under the Plan at an exercise price of $7.438 per share to officers, directors, employees and consultants of the Company.

At the time of such stockholder approval, if the market value of the Company's stock exceeds the exercise price of the subject options noted above, the Company will incur a non-cash charge to earnings equal to the spread between the exercise price and the option and market price, times the number of options involved.

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which establishes a fair value-based method of accounting for stock-based compensation plans. The Company has adopted the disclosure-only alternative under SFAS No. 123. The Company accounts for stock based compensation to nonemployees using the fair value method in accordance with SFAS No. 123 and Emerging Issues Task Force (EITF) 96-18. The Company has recognized deferred stock compensation related to certain stock option and warrants grants. During the three months under March 31, 2000 the Company granted 25,000 and 300,000 warrants to purchase shares of common stock at $12.00 and $15.00 per share, respectively in return for financial advisory services. The Company valued these warrants based on the Black-Scholes option pricing. In connection herewith the Company recorded a charge of $1,268,000 during the three months ended March 31, 2000. In connection with other option grants to consultants the Company recorded a charge of $79,000 during the three months ended March 31, 2000.

We have agreed to fund scientific research at academic institutions and

to make minimum royalty payments for licensing and collaborative agreements of approximately $700,000 in 2000. We do not expect these arrangements to have a significant impact on our liquidity and capital resources. We intend to continue to maintain and develop relationships with academic institutions and to establish licensing and collaborative agreements.

We have no material capital commitments for the year ended December 31, 2000.

We believe that we have sufficient cash on hand at March 31, 2000 and from the exercise of warrants in April 2000 to finance our plan of operation through December 31, 2000. However, there can be no assurance that we will generate sufficient revenues, if any, to fund its operations after such period or that any required financings will be available, through bank borrowings, debt or equity offerings, or otherwise, on acceptable terms or at all.

PART II. OTHER INFORMATION

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In January 2000, we issued 72,856 shares of Series A Preferred Stock as full payment of the dividend due on the Series A Preferred Stock for the year ended December 31, 1999 to the holders of such preferred stock. Such issuance was pursuant to Section 3(a)(9) promulgated under the Securities Act based on the fact that it involved an exchange by the issuer exclusively with its existing security-holders and no commission or other remuneration was paid or given directly or soliciting such exchange.

In January 2000 the Board of Directors approved the 2000 Employee Option Plan authorizing up to 1,000,000 shares, subject to approval of the plan by a majority of our shareholders. We granted 116,000 options to purchase shares of Common Stock at an exercise price of $7.438 per share to officers, directors, employees and consultants of the company. The shares of Common Stock were granted pursuant to the exemption afforded by Section 4(2) promulgated under the Securities Act based on the fact that the issuance was to a single individual not involving a public offering.

In February 2000, the Company granted 25,000 and 300,000 warrants to purchase shares of Common Stock at $12.00 and $15.00 per share to Southwest Securities, Inc. and Gruntal & Co., L.L.C., respectively in return for financial advisory and investment banking services. The shares of Common Stock were granted pursuant to the exemption afforded by Section 4(2) promulgated under the Securities Act based on the fact that the issuance was to a single individual not involving a public offering.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 27 Financial Data Schedule

(b) Reports on Form 8-K - None

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.

CYTOCLONAL PHARMACEUTICS INC.

Date: May 15, 2000 /s/ Daniel M. Shusterman

Daniel M. Shusterman
Vice President of Operations,
Treasurer and Chief Financial
Officer

INDEX TO EXHIBITS

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EXHIBIT NUMBER	DESCRIPTION
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Exhibit 27	Financial Data Schedule

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