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THE FEIGHNER RESEARCH INSTITUTE

YEARS ENDED NOVEMBER 30, 1997 AND 1996

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August 3, 1998

Board of Directors
The Feighner Research Institute
La Mesa, California

We have reviewed the accompanying balance sheets of The Feighner Research Institute as of November 30, 1997 and 1996, and the related statements of income, shareholders' equity, cash flows and schedules of general and administrative expenses and statement of income - London division for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Feighner Research Institute.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Derezin Breier Company

DEREZIN, BREIER & COMPANY

THE FEIGHNER RESEARCH INSTITUTE
BALANCE SHEETS
NOVEMBER 30, 1997 AND 1996
(See Accountant's Review Report)

ASSETS

	1997	1996
Current assets:		
Cash	$ 242,555	$ 561,843
Accounts receivable (Note 1)	353,591	312,606
Government bond fund	264,455	264,455
Other receivables and prepaid expenses	10,839	11,831
Income taxes prepaid	9,064	4,201
Total current assets	880,504	1,154,936
Property and equipment: (Note 1)		
Furniture and fixtures	35,031	31,717
Equipment	90,406	90,065
Leasehold improvements	21,822	21,822
	147,259	143,604
Less accumulated depreciation	94,184	70,854
Total property and equipment	53,075	72,750
Other assets:		
Security deposits	7,982	6,232
	$ 941,561	$ 1,233,918

LIABILITIES AND SHAREHOLDERS' EQUITY

	1997	1996
Current liabilities:		
Accounts payable	$ 780,538	$ 1,027,944
Total current liabilities	780,538	1,027,944
Shareholders' equity:		
Common stock, no par value, authorized 75,000 shares: issued and outstanding 1,000 shares	4,250	4,250
Retained earnings	156,773	201,724
Total shareholders' equity	161,023	205,974
	$ 941,561	$ 1,233,918

See notes to financial statements.

THE FEIGHNER RESEARCH INSTITUTE
STATEMENTS OF INCOME
YEARS ENDED NOVEMBER 30, 1997 AND 1996
(See Accountant's Review Report)

	1997		1996	
	Amount	Percentage of Grant Amount	Amount	Percentage of Grant Amount
Grant income	$ 1,354,613	100.0	$ 1,852,615	100.0
Direct costs billed and research income	12,373	.9	15,592	.8
	1,366,986	100.9	1,868,207	100.8
Direct expenses:				
Medical evaluations, physicians	215,803	15.9	365,128	19.7
Hospital expense	35,700	2.6	182,450	9.9
Research expense	15,835	1.2	24,759	1.3
Laboratory and scan costs	23,090	1.7	56,774	3.1
	290,428	21.4	629,111	34.0
Grant income less direct expenses	1,076,558	79.5	1,239,096	66.8
Interest income	30,059	2.2	39,958	2.2
	1,106,617	81.7	1,279,054	69.0
General and administrative expenses	988,447	73.0	1,184,424	63.9
Income - San Diego division	118,170	8.7	94,630	5.1
Loss - London division	(162,234)	(12.0)	(78,059)	(4.2)
Income (loss) before taxes	(44,064)	(3.3)	16,571	.9
Income taxes, current	887		4,012	.2
Net income (loss)	$ (44,951)	(3.3)	$ 12,559	.7

See notes to financial statements.

THE FEIGHNER RESEARCH INSTITUTE
STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED NOVEMBER 30, 1997 AND 1996
(See Accountant's Review Report)

	Common Stock Outstanding	Common Stock	Retained Earnings	Total
Balance, November 30, 1995	1,000	$ 4,250	$ 190,165	$ 194,415
Net income for the year			12,559	12,559
Dividends paid			(1,000)	(1,000)
Balance, November 30, 1996	1,000	4,250	201,724	205,974
Net loss for the year			(44,951)	(44,951)
Balance, November 30, 1997	1,000	$ 4,250	$ 156,773	$ 161,023

See notes to financial statements.

THE FEIGHNER RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED NOVEMBER 30, 1997 AND 1996
(See Accountant's Review Report)

	1997	1996
Cash flows from operating activities:		
Net income (loss)	$ (44,951)	$ 12,559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,330	20,879
(Increase) decrease in:		
Accounts receivable	(40,985)	(289,317)
Other receivables and prepaid expenses	992	(8,927)
Security deposits	(1,750)	
Income taxes prepaid	(4,863)	(4,786)
Increase (decrease) in:		
Accounts payable	(247,406)	93,379
Net cash used in operations	(315,633)	(176,213)
Investing activities:		
Purchase of property and equipment	(3,655)	(43,301)
Financing activities:		
Dividends paid		(1,000)
Net decrease in cash	(319,288)	(220,514)
Cash beginning	561,843	782,357
Cash ending	$ 242,555	$ 561,843

Supplemental disclosures of cash flow information:

	1997	1996
Income taxes paid during year	$ 5,750	$ 8,798
Interest paid during year	$ 0	$ 0

See notes to financial statements.

THE FEIGHNER RESEARCH INSTITUTE
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED NOVEMBER 30, 1997 AND 1996
(See Accountant's Review Report)

	1997		1996	
	Amount	Percentage of Grant Amount	Amount	Percentage of Grant Amount
Administrative salaries and fees	$ 484,211	35.7	$ 740,549	40.0
Automobile expense	1,877		1,977	
Pension plan contributions, administrative	33,642	2.5	35,996	1.9
Contract services	35,747	2.6	45,764	2.5
Contributions	2,325		1,780	
Depreciation	19,735	1.5	18,619	1.0
Dues and subscriptions	949		1,412	
Education and training	2,604		504	
Employee benefits	19,489	1.4	13,669	
Equipment rental	634		612	
Insurance	49,056	3.6	44,887	2.4
Legal and accounting	10,226		9,573	
Miscellaneous	698		735	
Patient recruitment	118,056	8.7	78,337	4.2
Payroll taxes	45,338	3.3	44,601	2.4
Postage and supplies	23,523	1.7	21,077	1.1
Promotion and advertising	9,123		7,349	
Rent and utilities	88,592	6.5	94,307	5.1
Repairs and maintenance	6,996		3,155	
Special Events	6,042			
Storage	2,702		2,320	
Taxes and licenses	1,519		1,413	
Telephone	16,503	1.2	12,434	
Travel expenses	8,860		3,354	
	$ 988,447	73.0	$1,184,424	63.9

See notes to financial statements.

THE FEIGHNER RESEARCH INSTITUTE
STATEMENTS OF INCOME - LONDON DIVISION
YEARS ENDED NOVEMBER 30, 1997 AND 1996
(See Accountant's Review Report)

	1997 Amount	1996 Amount
Grant income	$ 113,372	$
Direct expenses:		
Medical evaluations, physicians	36,440	
Hospital expense	16,936	
	53,376	
Grant income less direct expenses	59,996	
General and administrative expenses:		
Administrative salaries and fees	116,522	
Automobile expense	6,041	
Pension plan contributions, administrative	9,084	
Compensation and reimbursement		27,403
Contract services	13,113	2,755
Depreciation	3,595	2,260
Employee benefits	6,243	
Miscellaneous	923	711
Office set up	8,700	
Patient recruitment	8,141	
Payroll taxes	7,975	
Postage and supplies	10,198	31,970
Promotion and advertising	2,270	
Rent and utilities	16,950	12,960
Telephone	4,659	
Travel expenses	7,816	
	222,230	78,059
Net Loss	$ (162,234)	$ (78,059)

See notes to financial statements.

THE FEIGHNER RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 1997 AND 1996

1. Summary of Significant Accounting Policies:

Operations:

The Company performs drug studies for various pharmaceutical manufacturers. Grant income is taken into account as earned in the performance of the various drug studies by evaluating the level of completion of the individual study. The Company generally receives payments in advance of services that it performs. These prepayments are included in accounts payable.

Pension Plan:

The Company has a noncontributory defined contribution pension plan covering all full-time employees with one or more years of continuous service. Contributions are made in accordance with the provisions of the pension plan. The Company's policy is to fund pension plan costs accrued.

Cash Equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had no cash equivalents at November 30, 1997 and 1996. Cash consists of cash on hand and cash in banks, including money market funds, as of November 30, 1997 and 1996.

Accounts Receivable:

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Investments:

The government bond fund is classified as available-for-sale and may be sold in response to changes in interest rates, liquidity needs and for other purposes. Available-for-sale securities should be carried at fair value. The government bond fund is being carried at cost which approximates fair value at November 30, 1997 and 1996.

Compensated Absences:

Employees of the Company are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when paid to employees.

THE FEIGHNER RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 1997 AND 1996

1. Summary of Significant Accounting Policies: (Continued)

Property and Equipment and Deprecation:

Property and equipment are stated at cost. Depreciation or amortization is provided on a straight-line or an accelerated declining balance method, as appropriate, over the estimated useful lives of the assets.

Concentration of Credit Risk:

The Company places its cash and temporary cash investments with high credit quality institutions. At times such cash and temporary cash investments may be in excess of FDIC insurance limits.

Estimates:

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

2. Commitments:

The Company has commitments under noncancellable operating leases pertaining to the rental office and consulting rooms. Rents aggregated $106,000 in 1997 and $107,000 in 1996. The total lease commitment is as follows:

Year Ending November 30,	Amount
1998	$ 95,000
1999	105,000
2000	109,000
2001	91,000
2002	61,000
	$ 461,000