

PALATIN TECHNOLOGIES INC
Form PRE 14A
April 29, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

PALATIN TECHNOLOGIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Preliminary Copy – Subjection to Completion. Dated April 29, 2013

PALATIN TECHNOLOGIES, INC.

4B Cedar Brook Drive
Cranbury, New Jersey 08512

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

date	June 27, 2013
time	9:30 a.m., Eastern Time
place	Palatin's offices, Cedar Brook Corporate Center, 4B Cedar Brook Drive, Cranbury, New Jersey 08512
record date	May 3, 2013
items of business	<ol style="list-style-type: none">(1) election of nine directors nominated by our board of directors;(2) ratification of appointment of our independent registered public accounting firm for the fiscal year ending June 30, 2013;(3) approval of an amendment to our restated certificate of incorporation which will increase the number of authorized shares of common stock from 200,000,000 to 300,000,000 shares;(4) approval of an increase in common stock available for issuance under our 2011 Stock Incentive Plan from 3,500,000 to 7,000,000 shares;(5) to advise us as to whether you approve the compensation of our named executive officers ("say-on-pay");(6) to advise us as to whether you prefer a vote to advise us on the compensation of our named executive officers every year, every two years or every three years ("say-on-frequency");(7) approval of one or more adjournments to the annual meeting, if necessary or appropriate, to establish a quorum or to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting cast in favor of Proposal 3 or Proposal 4; and(8) any other matters properly brought before the meeting or any adjournment or postponement thereof.
stockholder list	A list of all stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours for 10 days

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before the meeting, at our offices, Cedar Brook Corporate Center, 4B Cedar Brook Drive, Cranbury, New Jersey 08512.

By order of the board of directors,

Stephen T. Wills, Secretary
[*], 2013

The approximate date of mailing of the Notice Regarding the Availability of Proxy Materials to our stockholders is May 15, 2013, and this proxy statement, proxy card and annual report, including our annual report on Form 10-K for fiscal year 2012, will be available to our stockholders on www.proxyvote.com on that same date. On or about that date, we will also begin mailing paper copies of our proxy materials to our registered holders and to our beneficial holders who request paper copies.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 27, 2013:

The proxy statement, proxy card and annual report to security holders, including our annual report on Form 10-K for fiscal year 2012, are available at www.proxyvote.com.

PALATIN TECHNOLOGIES, INC.
2013 ANNUAL MEETING

table of contents

<u>Notice of Annual Meeting of Stockholders</u>	2
<u>Voting Procedures and Solicitation</u>	4
<u>Item One: Election of directors</u>	10
<u>Nominees</u>	10
<u>Item Two: Ratification of appointment of KPMG LLP as our independent registered public accounting firm</u>	15
<u>Report of the audit committee</u>	16
<u>Item Three: Approval of an amendment to our restated certificate of incorporation to increase authorized common stock</u>	18
<u>Item Four: Approval of an increase in common stock available for issuance under our 2011 Stock Incentive Plan</u>	21
<u>Item Five: Advisory approval of the compensation of our named executive officers (“say-on-pay”)</u>	34
<u>Item Six: Advisory vote on the frequency of holding future advisory votes on the compensation of our named executive officers (“say-on-frequency”)</u>	36
<u>Item Seven: Approval of one or more adjournments to the annual meeting</u>	37
<u>Corporate Governance</u>	38
<u>Executive Officers</u>	43
<u>Executive Compensation</u>	44
<u>Stock Ownership Information</u>	49
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	49
<u>Beneficial Ownership of Management and Others</u>	50
<u>Certain Relationships and Related Transactions, and Director Independence</u>	55
<u>Other Items of Business</u>	56
<u>Stockholder Proposals for Next Annual Meeting</u>	56

Proxy Statement, page 3

Preliminary Copy – Subject to Completion. Dated April 29, 2013

PALATIN TECHNOLOGIES, INC.

4B Cedar Brook Drive
Cranbury, New Jersey 08512
(609) 495-2200

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 27, 2013

VOTING PROCEDURES AND SOLICITATION

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 27, 2013:

The proxy statement, proxy card and annual report to security holders, including our annual report on Form 10-K for fiscal year 2012, are available at www.proxyvote.com.

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting, please act as soon as possible to vote your shares. Your prompt voting may save us the expense of following up with a second mailing. Beginning on or about May 15, 2013, we are sending proxy materials to stockholders of record on May 3, 2013. If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered, with respect to those shares, the “stockholder of record.” We are sending a Notice Regarding the Availability of Proxy Materials (the “Notice”) to beneficial owners of our stock beginning on or about May 15, 2013. If your shares are held in a stock brokerage account or by a bank or other holder of record (a “brokerage firm”), you are considered the “beneficial owner” of the shares held in street name. Beneficial owners may view proxy materials online, and may also request and receive a paper or e-mail copy of the proxy materials by following the instructions provided in the Notice.

METHODS OF VOTING

If you are a beneficial owner, you may be eligible to vote your shares electronically over the Internet or by telephone. A large number of brokerage firms participate in the Broadridge Investor Communications Services online program. This program provides eligible stockholders that hold shares in street name the opportunity to vote via the Internet or by telephone. Whether or not your brokerage firm is participating in Broadridge’s program, your proxy materials will contain voting instructions. If you are a stockholder of record or if you are a beneficial owner whose brokerage firm participates in Broadridge’s program, there are three ways to vote before the meeting:

- By Internet – www.proxyvote.com. If you have Internet access, you may transmit your voting instructions up until 11:59 p.m., Eastern Time, the day before the meeting date, that is, June 26, 2013. Go to www.proxyvote.com. You must have your proxy card or

Notice in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

- By telephone – 1-800-690-6903. You may vote using any touch-tone telephone to transmit your voting instructions up until 11:59 p.m., Eastern Time, the day before the meeting date. Call 1-800-690-6903 toll free. You must have your proxy card or Notice in hand when you call this number and then follow the instructions.
- By mail – Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided. If you did not receive a proxy copy, you may request proxy materials, including a proxy card, by following the instructions in the Notice.

If you voted by Internet or telephone or sent in a proxy card and also attend the meeting in person, the proxy holders will vote your shares as you previously instructed unless you inform the Secretary at the meeting that you wish to vote in person.

REVOKING OR CHANGING A PROXY

You may revoke your proxy or change your vote by

- voting again by proxy over the Internet or by telephone until 11:59 p.m. on June 26, 2013 (only your last Internet or telephone vote will be counted);
- signing and returning another proxy card on a later date;
- sending written notice of revocation or change to the Secretary at our offices, 4B Cedar Brook Drive, Cranbury, New Jersey 08512; or
- informing the Secretary and voting in person at the meeting.

To be effective, a later-dated proxy or written revocation or change must arrive at our corporate offices before the start of the meeting.

If you are a beneficial owner, you may submit new voting instructions by following the instructions from the brokerage firm that holds your shares, or by obtaining a legal proxy from the brokerage firm that holds your shares giving you the right to vote the shares. You may vote in person at the meeting only if you are the stockholder of record or if you are a beneficial owner and have obtained a legal proxy from the brokerage firm that holds your shares.

PROXY SOLICITATION

We are soliciting proxies on behalf of the board of directors, and we will pay all costs of preparing, printing and mailing the proxy materials. In addition to mailing proxy materials, our officers and employees may solicit proxies by telephone, fax, e-mail or Internet, without receiving any additional compensation for their services. We have requested brokers, banks and other fiduciaries to forward proxy materials to the beneficial owners of our stock, and will pay for their reasonable expenses in forwarding proxy materials to such beneficial owners. We have engaged The Proxy Advisory Group, LLC to assist in the solicitation of proxies and provide related advice and informational support for a service fee and the reimbursement of customary disbursements that are not expect to exceed \$13,700 in the aggregate.

Proxies and ballots will be received and tabulated by Broadridge Financial Solutions, Inc. (Broadridge), and Broadridge will serve as our Inspector of Election.

Proxy Statement, page 5

HOW PROXIES ARE VOTED

The proxy holders are Carl Spana, Ph.D., our chief executive officer, president and a director, and Stephen T. Wills, our chief financial officer, chief operating officer, executive vice president, secretary and treasurer. The proxy holders will vote your shares according to your instructions on the proxy card or your Internet or telephone instructions. If a signed proxy card does not contain instructions, the proxy holders will vote the shares FOR the election of the director nominees listed on the card; FOR ratifying the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013; FOR the amendment to our restated certificate of incorporation to increase the number of authorized shares of common stock; FOR the amendment to our 2011 Stock Incentive Plan to increase the common stock available for issuance under that Plan; FOR approval of the compensation of our named executive officers; FOR an annual vote on compensation of our named executive officers; FOR the proposal to adjourn the annual meeting, if necessary or appropriate, to establish a quorum or to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting cast in favor of approving either the amendment to our restated certificate of incorporation or the amendment to our 2011 Stock Incentive Plan; and in their discretion, on any other business which may properly come before the meeting.

QUORUM AND VOTES REQUIRED

A majority of the votes of outstanding shares of common stock and Series A preferred stock, with the Series A preferred stock counted on an as if converted to common stock basis, represented at the meeting in person or by proxy, constitutes a quorum. In addition, because a separate class vote of common stock is required for Item Three, a majority of the outstanding shares of common stock, present in person or represented by proxy, will constitute a quorum entitled to take action with respect that vote or that matter. Abstentions and broker non-votes will count towards the quorum. If your shares are held in street name and you do not provide voting instructions to the brokerage firm that holds your shares, the brokerage firm can, in its discretion, vote your unvoted shares on matters on which it is permitted to exercise authority ("routine" matters). A broker non-vote occurs when a broker, bank or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because it does not have discretionary voting power for that particular item, or chooses not to vote, and has not received instructions from the beneficial owner. Common stock and Series A preferred stock will vote together as one class on the items of business listed on the proxy card, except that Item Three also requires a separate class vote of common stock. The votes required are as follows:

- Item One: Directors are elected by a plurality of votes cast, so the nine nominees receiving the most votes will be elected. Stockholders who do not wish to vote for one or more of the individual nominees may withhold their authority to vote in the manner provided on the proxy card or Internet or telephone voting systems. Brokerage firms do not have authority to vote customers' unvoted shares held by firms in street name for the election of directors. As a result, any shares not voted by a beneficial owner will be treated as a broker non-vote. Such broker non-votes or abstentions will have no effect on the results of this vote.

- Item Two: Ratifying the appointment of our independent registered public accounting firm for the fiscal year ending June 30, 2013 requires a majority of the votes cast on that item. Brokerage firms have authority to discretionarily vote customers' unvoted shares held in street name on this proposal. Abstentions and broker non-votes will count neither for nor against ratification.
- Item Three: Approval of the amendment of our restated certificate of incorporation to effect an increase in the number of shares of authorized common stock requires a majority of all outstanding stock, consisting of common stock and Series A preferred stock on an as if converted to common stock basis, entitled to vote at the meeting, and a majority of outstanding common stock voting as a class. If brokerage firms do not vote customers' unvoted shares held by firms in street name on this proposal, then any shares not voted by a beneficial owner will be treated as broker non-votes. Abstentions and broker non-votes will count against the proposal.
- Item Four: Approval of the increase in common stock available for issuance under our 2011 Incentive Stock Plan requires a majority of the votes cast on that item. Abstentions and broker non-votes will count neither for nor against the proposal.
- Item Five: Advisory approval of say-on-pay for named executive officers (yes or no) will be determined by which of the two choices receives the most votes. Abstentions and broker non-votes will count neither for nor against the proposal.
- Item Six: Say-on-frequency advisory vote (one, two or three years) will be determined by which of the three choices receives the most votes. Abstentions and broker non-votes will count neither for nor against the proposal.
- Item Seven: Approval of one or more adjournments of the annual meeting requires a majority of all shares present in person or represented by proxy and voting on the proposal. Abstentions and broker non-votes will have no effect on the outcome.

WHAT IS THE EFFECT OF NOT CASTING YOUR VOTE?

If you hold your shares in street name, it is critical that you cast your vote if you want to be counted for the election of directors in Item One. Your brokerage firm will not have discretionary authority to vote for election of directors in Item One. If you hold your shares in street name and you do not provide instructions on how to vote for election of directors, no votes may be cast for election of directors on your behalf.

Your brokerage firm cannot vote your uninstructed shares in their discretion on any other matter unless it is considered "routine." We believe that Item Two, ratifying the appointment of our independent registered public accounting firm, and Item Three, the approval of an amendment of our restated certificate of incorporation to increase the number of shares of authorized common stock, will be considered routine, and your brokerage firm will have discretionary authority to vote on Items Two and Three. If you hold your shares in street name and you do not instruct your brokerage firm how to vote, your brokerage firm may vote for Items Two and Three.

Items Four, Five and Six, approval of an increase in shares available under our 2011 Stock Incentive Plan, advisory approval on say-on-pay for named executive officers and the say-on-frequency advisory vote, respectively, are not considered routine. Your brokerage firm will not have discretionary authority to vote on Items Four, Five or Six. If you hold your shares in street name and you do not provide instructions on how to vote, then no vote will be cast on these items on your behalf.

If you are a stockholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.

IS VOTING CONFIDENTIAL?

We will keep all the proxies, ballots and voting tabulations private. We only let Broadridge examine these documents. Management will not know how you voted on a specific proposal unless it is necessary to meet legal requirements. Broadridgewill, however, forward to management any written comments you make on the proxy card.

VOTING RIGHTS, SHARES OUTSTANDING AND VOTES PER SHARE

Holders of common stock and of Series A preferred stock at the close of business on the record date of May 3, 2013 are entitled to vote at the meeting.

- Common stock: 38,947,912 shares outstanding, one vote per share
- Series A preferred stock: 4,697 shares outstanding with approximately 11.25 votes per share, a total of 52,829 votes

There are no rights of appraisal or similar rights of dissenters with respect to the items of business at this meeting.

HOUSEHOLDING OF ANNUAL DISCLOSURE DOCUMENTS

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding our stock who share the same address, we have adopted a procedure approved by the Securities and Exchange Commission ("SEC") called "householding." Under this procedure, one Notice or a single set of our annual report and proxy statement will be sent to any household at which two or more of our stockholders reside, if we or your broker believe that the stockholders are members of the same family. Householding benefits both you and us. It reduces the volume of duplicate information received at your household and helps to reduce our expenses. The procedure applies to our annual reports, proxy statements, other proxy materials and information statements. Once you receive notice from your broker or from us that communications to your address will be "household," the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Each stockholder will continue to have access to and utilize separate proxy voting instructions.

If you do not wish to participate in “householding” and would like to receive your own set of any or all of our annual disclosure documents, or if you share an address with another Palatin stockholder and together both of you would like to receive only a single set of our annual disclosure documents, please contact Broadridge Financial Solutions, Inc., either by calling toll-free at (800) 542-1061, or by writing to Broadridge Financial Solutions, Inc. Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Alternatively, if your brokerage firm or other nominee holds your Palatin shares, you may contact your broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

Proxy Statement, page 9

ITEM ONE: ELECTION OF DIRECTORS

Our nominating and corporate governance committee has nominated the nine persons listed below to serve as directors. A stockholder who wishes to suggest a nominee to the nominating and corporate governance committee may do so in the manner and within the time frame explained under “Nomination of Directors” below. Effective as of this year’s annual meeting, the number of directors is fixed at nine. We recommend voting FOR the nine nominees named in this proxy statement. At the meeting, the nine nominees who receive the most votes will be elected as directors to serve until the next annual meeting, or until their successors are elected and qualified. Each of the nominees other than Angela Rossetti is currently a director and was elected at our last annual stockholders’ meeting on June 7, 2012. The nominating and corporate governance committee identified Ms. Rossetti as a candidate for nomination through a third-party search firm. If any of the nominees should become unavailable to serve on the board, which is not expected at this time, the proxy holders will vote your shares for a board-approved substitute, or the board may reduce the number of directors.

THE NOMINEES

Name	Age	Position with Palatin
Carl Spana, Ph.D.	50	Chief executive officer, president and a director
John K.A. Prendergast, Ph.D.	59	Director, chairman of the board of directors
Perry B. Molinoff, M.D. (1) (3)	72	Director
Robert K. deVeer, Jr. (1) (2)	67	Director
Zola P. Horovitz, Ph.D. (2) (3)	78	Director
Robert I. Taber, Ph.D. (1) (2)	76	Director
J. Stanley Hull (3)	60	Director
Alan W. Dunton, M.D. (1) (2)	58	Director
Angela Rossetti	60	Nominee for Director

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and corporate governance committee.

CARL SPANA, Ph.D., co-founder of Palatin, has been our chief executive officer and president since June 14, 2000. He has been a director of Palatin since June 1996 and has been a director of our wholly-owned subsidiary, RhoMed Incorporated, since July 1995. From June 1996 through June 14, 2000, Dr. Spana served as an executive vice president and our chief technical officer. From June 1993 to June 1996, Dr. Spana was vice president of Paramount Capital Investments, LLC, a biotechnology and biopharmaceutical merchant banking firm, and of The Castle Group Ltd., a medical venture capital firm. Through his work at Paramount Capital Investments and The Castle Group, Dr. Spana co-founded and acquired several private biotechnology firms. From July 1991 to June 1993,

Proxy Statement, page 10

Dr. Spana was a Research Associate at Bristol-Myers Squibb, a publicly-held pharmaceutical company, where he was involved in scientific research in the field of immunology. Dr. Spana is a director of AVAX Technologies, Inc., a life science company. Dr. Spana received his Ph.D. in molecular biology from The Johns Hopkins University and his B.S. in biochemistry from Rutgers University.

Dr. Spana's qualifications for our board include his leadership experience, business judgment and industry experience. As a senior executive of Palatin for over fifteen years, he provides in-depth knowledge of our company, our drug products under development and the competitive and corporate partnering landscape.

JOHN K.A. PRENDERGAST, Ph.D., co-founder of Palatin, has been chairman of the board since June 14, 2000, and a director since August 1996. Dr. Prendergast has been president and sole stockholder of Summercloud Bay, Inc., an independent consulting firm providing services to the biotechnology industry, since 1993. Dr. Prendergast is a director and the chairman and chief executive officer of AVAX Technologies, Inc. and a director and executive chairman of the board of directors of Antyra, Inc., a privately-held biopharmaceutical firm. He was previously a member of the board of the life science companies Avigen, Inc. and MediciNova, Inc. From October 1991 through December 1997, Dr. Prendergast was a managing director of The Castle Group Ltd., a medical venture capital firm. Dr. Prendergast received his M.Sc. and Ph.D. from the University of New South Wales, Sydney, Australia and a C.S.S. in administration and management from Harvard University.

Dr. Prendergast is a co-founder of Palatin, and brings a historical perspective to our board coupled with extensive industry experience in corporate development and finance in the life sciences field. His prior service on other publicly traded company boards provides experience relevant to good corporate governance practices.

PERRY B. MOLINOFF, M.D. has been a director since November 2001. He served as our executive vice president for research and development from September 2001 until November 3, 2003, when he resigned to accept a position as Vice Provost for Research at the University of Pennsylvania, which he held from November 2003 through September 2006. He was a director of Cypress Bioscience, Inc., a publicly-held life science company, from 2004 through its acquisition by Ramius LLC and related entities in 2010. In May 2012 he became a director of Cynapsus Therapeutics Inc., a publicly-held Canadian specialty pharmaceutical company. Dr. Molinoff has more than 30 years of experience in both the industrial and educational sectors. From 1981 to 1994, he was a professor of pharmacology and chairman of the Department of Pharmacology at the University of Pennsylvania School of Medicine in Philadelphia. From January 1995 until March 2001, he was vice president of neuroscience and genitourinary drug discovery for the Bristol-Myers Squibb Pharmaceutical Research Institute, where he was responsible for directing and implementing the Institute's research efforts. Dr. Molinoff earned his medical degree from Harvard Medical School.

Dr. Molinoff has extensive academic and pharmaceutical company experience, with scientific knowledge that makes him a resource to our executive officers and other board members. As a former officer of Palatin, Dr. Molinoff has significant knowledge of our technologies and drug products under development, as well as the markets potentially addressed by our drug products under development.

ROBERT K. deVEER, Jr. has been a director since November 1998. Since January 1997, Mr. deVeer has been the president of deVeer Capital LLC, a private investment company. He was a director of Solutia Inc., a publicly-held chemical-based materials company, until its merger with Eastman Chemical Company in July 2012. From 1995 until his retirement in 1996, Mr. deVeer served as Managing Director, Head of Industrial Group, at New York-based Lehman Brothers. From 1973 to 1995, he held increasingly responsible positions at New York-based CS First Boston, including Head of Project Finance, Head of Industrials and Head of Natural Resources. He was a managing director, member of the investment banking committee and a trustee of the First Boston Foundation. He received a B.A. in economics from Yale University and an M.B.A. in finance from Stanford Graduate School of Business.

Mr. deVeer has extensive experience in investment banking and corporate finance, including the financing of life sciences companies, and serves as the audit committee's financial expert.

ZOLA P. HOROVITZ, Ph.D. has been a director since February 2001. Before he retired from Bristol-Myers Squibb in 1994, Dr. Horovitz spent 34 years in various positions, including associate director of the Squibb Institute for Medical Research, vice president of development, vice president, scientific liaison, vice president of licensing, and vice president of business development and planning for the pharmaceutical division of Bristol-Myers Squibb. He held advisory positions at the University of Pittsburgh, Rutgers College of Pharmacy and Princeton University. He is currently a director and non-executive chairman of the board of GenVec, Inc., a publicly-held life science company. Within the past five years, Dr. Horovitz also served on the board of directors of BioCryst Pharmaceutical, Inc., Genaera Corp., Immunicon Corp., NitroMed, Inc., Avigen, Inc. and DOV Pharmaceutical, Inc. Dr. Horovitz earned his Ph.D. in pharmacology from the University of Pittsburgh.

Dr. Horovitz has extensive experience in development of pharmaceutical drugs, business development and licensing, and has served on the board of directors of a number of publicly-held life science companies.

ROBERT I. TABER, Ph.D. has been a director since May 2001. Dr. Taber began his career in the pharmaceutical industry in 1962, holding a succession of positions within Schering Corporation's biological research group before leaving in 1982 as director of biological research. He has also held a number of increasingly important positions with DuPont Pharmaceuticals and the DuPont Merck Pharmaceutical Company, including director of pharmaceutical research, director of pharmaceutical and biotechnology research, vice president of pharmaceutical research and vice president of extramural research and development. From 1994 to 1998, Dr. Taber held the position of senior vice president of research and development at Synaptic Pharmaceuticals Corporation before founding Message Pharmaceuticals, Inc. in 1998, serving as president and chief executive officer until 2000. Dr. Taber earned his Ph.D. in pharmacology from the Medical College of Virginia.

Dr. Taber has extensive experience in pharmaceutical research and development both in large pharmaceutical companies and in smaller biotechnology and biopharmaceutical companies.

J. STANLEY HULL has been a director since September 2005. Mr. Hull has over three decades of experience in the field of sales and marketing. Mr. Hull joined GlaxoSmithKline, a research-based pharmaceutical company, in October 1987 and retired as Senior Vice President,

Pharmaceuticals in May 2010, having previously served in the R&D organization of GlaxoSmithKline as Vice President and Worldwide Director of Therapeutic Development and Product Strategy – Neurology and Psychiatry. Prior to that, he was Vice President of Marketing – Infectious Diseases and Gastroenterology for Glaxo Wellcome Inc. Mr. Hull started his career in the pharmaceutical industry with SmithKline and French Laboratories in 1978. Mr. Hull received his B.S. in business administration from the University of North Carolina at Greensboro.

Mr. Hull has extensive experience in commercial operations, development and marketing of pharmaceutical drugs and corporate alliances between pharmaceutical companies and biotechnology companies.

ALAN W. DUNTON, M.D. has been a director since June 2011. Since April 2006, he has been president of Danerius, LLC, a biotechnology consulting company, which he founded in 2006. From January 2007 to March 2009, Dr. Dunton served as president and chief executive officer of Panacos Pharmaceuticals Inc. and he served as a managing director of Panacos from March 2009 to January 2011. Dr. Dunton is currently a member of the board of directors of the publicly-traded companies Oragenics, Inc., Targacept, Inc. and EpiCept Corporation, and is also non-executive chairman of EpiCept, and, within the past five years, he served on the board of directors of the publicly-traded companies Adams Respiratory Therapeutics, Inc. (acquired by Reckitt Benckiser Group plc), MediciNova, Inc. and Panacos Pharmaceuticals, Inc. Previously, Dr. Dunton served as a director or executive officer of various pharmaceutical companies, and from 1994 to 2001, Dr. Dunton was a senior executive in various capacities in the Pharmaceuticals Group of Johnson & Johnson. Dr. Dunton received his M.D. degree from New York University School of Medicine, where he completed his residency in internal medicine. He also was a Fellow in Clinical Pharmacology at the New York Hospital/Cornell University Medical Center.

Dr. Dunton has extensive drug development and clinical research experience, having played a key role in the development of more than 20 products to regulatory approval, and also has extensive experience as an executive or officer for large pharmaceutical companies and smaller biotechnology and biopharmaceutical companies.

ANGELA ROSSETTI is a nominee for director. From 2009 through January 2012, she was a vicepresident at Pfizer Inc., where she led a global commercial medicine team for a smoking cessation franchise. She was an assistant vice president at Wyeth, managing a global hemophilia franchise from 2007 until 2009, when Wyeth was acquired by Pfizer. From 2005 to 2006 she was president of Ogilvy Healthworld, an advertising business in the pharmaceutical and biotechnology sectors. Previously she worked in a variety of increasingly responsible positions in communications, marketing and venture capital/investment banking. Ms. Rossetti is currently a candidate for a master's degree in bioethics from Albert Einstein College of Medicine, and has an M.B.A. in finance from Columbia University Graduate School of Business and a B.A. from the University of Pennsylvania.

Ms. Rossetti has extensive experience in worldwide development and marketing of specialty pharmaceuticals, including prefilled syringe products, and in communications and development of marketing and promotional plans.

RECOMMENDATION OF THE BOARD

The board recommends a vote FOR the election of the nine nominees listed above.

[END OF ITEM ONE]

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Proxy Statement, page 14

ITEM TWO: RATIFICATION OF APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We recommend voting FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013. KPMG served as our independent registered public accounting firm for the fiscal year ended June 30, 2012. We expect that a representative of KPMG will attend the annual meeting. The representative will have an opportunity to make a statement, if he or she desires, and will be available to respond to appropriate questions from stockholders.

Audit Fees. For the fiscal year ended June 30, 2012, KPMG billed us a total of \$305,000 for professional services rendered for the audit of our annual consolidated financial statements, review of our consolidated financial statements in our Forms 10-Q and services provided in connection with regulatory filings. For the fiscal year ended June 30, 2011, the total billed for the same services was \$282,500.

Audit-Related Fees. For the fiscal years ended June 30, 2012 and 2011, KPMG did not perform or bill us for any audit-related services.

Tax Fees. For the fiscal year ended June 30, 2012, KPMG billed us a total of \$15,500 for professional services rendered for tax compliance. For the fiscal year ended June 30, 2011, KPMG billed us \$50,100 for professional services rendered for tax compliance.

All Other Fees. KPMG did not perform or bill us for any services other than those described above for the fiscal years ended June 30, 2012 and 2011.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors. Consistent with SEC policies regarding auditor independence, the audit committee has responsibility for appointing, setting compensation for and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the audit committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Before engaging the independent registered public accounting firm for the next year's audit, management will submit to the audit committee for approval an estimate of fees for services expected to be rendered during that year in each of four categories:

1. Audit services, including work that generally only our independent registered public accounting firm can reasonably be expected to provide, such as services provided in connection with regulatory filings, statutory audits and attest services and consultation regarding financial accounting and/or reporting standards;
2. Audit-related services, including assurance and related services that are traditionally performed by the independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits and special procedures required to meet certain regulatory requirements;
3. Tax services, including services performed by our independent registered public accounting firm's tax personnel except those services specifically related to the audit of the consolidated financial statements, including fees in the areas of tax compliance, tax planning and tax advice; and

4. All other services not described in the preceding categories. We generally do not request other services from our independent registered public accounting firm.

The audit committee pre-approves fees for each category of service. The fees are budgeted and the audit committee requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the audit committee requires specific pre-approval before engaging the independent registered public accounting firm.

The audit committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the audit committee at its next scheduled meeting.

Although stockholder approval of KPMG LLP's appointment as our independent registered public accounting firm is not required by law or binding on the board or the audit committee, the board and the audit committee believe that stockholders should have an opportunity to express their views. In the event the stockholders do not ratify the appointment of KPMG LLP as our independent registered public accounting firm, the audit committee will reconsider its appointment.

REPORT OF THE AUDIT COMMITTEE

The audit committee of the board of directors, which consists entirely of directors who meet the independence and experience requirements of the NYSE MKT LLC (the "NYSE MKT"), has furnished the following report:

The audit committee assists the board in overseeing and monitoring the integrity of its financial reporting process, compliance with legal and regulatory requirements and the quality of internal and external audit processes. This committee reviews and reassesses our charter annually and recommends any changes to the board for approval. The audit committee is responsible for overseeing our overall financial reporting process, and for the appointment, compensation, retention, and oversight of the work of KPMG LLP.

The audit committee has reviewed and discussed the audited consolidated financial statements for the fiscal year ended June 30, 2012 with Palatin's management and has discussed with KPMG LLP the matters required to be discussed under Public Company Accounting Oversight Board standards, including Statement on Auditing Standards No. 61, as amended. In addition, the audit committee has received from KPMG LLP the written disclosures and the letter from KPMG LLP regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP communications with the audit committee, and the audit committee further discussed with KPMG LLP its independence. The audit committee also considered the status of pending litigation, taxation matters and other areas of oversight relating to the financial reporting and audit process that the committee determined appropriate.

Based on these reviews and discussions, we recommended to the board of directors that the audited consolidated financial statements be included in Palatin's annual report on Form 10-K for the fiscal year ended June 30, 2012.

The Audit Committee

Robert K. deVeer, Jr., Chairman

Robert I. Taber, Ph.D.

Perry B. Molinoff, M.D.

Alan W. Dunton, M.D.

RECOMMENDATION OF THE BOARD

The board recommends a vote FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013.

[END OF ITEM TWO]

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Proxy Statement, page 17

ITEM THREE: APPROVAL OF AN AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

Increase in authorized capital resolution and amendment. On April 25, 2013, the board of directors adopted a resolution which authorizes, subject to stockholder approval, an amendment to our restated certificate of incorporation to increase our authorized common stock, \$0.01 par value per share, from 200,000,000 shares to 300,000,000 shares. The additional common stock to be authorized by adoption of this amendment would have rights identical to our currently authorized and outstanding common stock. The number of authorized shares of our preferred stock, 10,000,000 shares, will not be affected by this amendment.

Text of the increase in authorized capital resolution and amendment. The complete text of the increase in authorized capital resolution and amendment is set forth as Appendix A to this proxy statement. If this proposal is approved, the amendment will become immediately effective upon its filing with the Secretary of State of Delaware, which is expected to occur promptly after the annual meeting.

Purpose and background of increase in authorized capital. The increase in authorized capital will increase the number of shares of our common stock available to be issued. Due in part to a large private placement offering of stock and warrants which we completed in July 2012 (see the following paragraph), just over two thirds (67.6%) of our authorized common stock is now either issued, reserved for issuance on conversion of Series A preferred stock, or reserved for issuance under existing warrants, options, restricted stock units and stock incentive plans. We are seeking this increase in authorized common stock in order to:

- have sufficient authorized common stock available for future financings or other business reasons, including strategic acquisitions,
 - enable us to provide equity incentives through warrants to key contractors, and
- increase the number of shares available under our 2011 Stock Incentive Plan, as discussed in Item Four below.

For the reasons listed above and as discussed below, the board and management believe it is in the best interests of Palatin and its stockholders to increase the authorized common stock.

On July 3, 2012, we closed on a private placement offering in which we sold 3,873,000 shares of our common stock, Series A warrants to purchase up to 31,988,151 shares of our common stock and Series B warrants to purchase up to 35,488,380 shares of our common stock, for an overall purchase price of \$0.50 per share of common stock (the “2012 Private Placement”). In order to complete our obligations under that offering, the board requested and the stockholders approved an increase in our authorized common stock from 100,000,000 to 200,000,000 shares in September 2012.

The following table shows our common stock outstanding and issuable or reserved for issuance as of April 25, 2013.

	Common Stock Outstanding or Reserved
Common stock outstanding	38,947,912
Shares of common stock issuable upon conversion of Series A preferred stock	52,829
Shares of common stock issuable upon exercise of outstanding warrants, including those issued in the 2012 Private Placement	91,951,276
Shares of common stock issuable upon exercise or vesting of outstanding stock options and restricted stock units under all plans	3,144,858
Shares of common stock available for issuance under our 2011 Stock Incentive Plan	1,151,821
Total	135,248,696

The board of directors believes it is in the best interests of Palatin and its stockholders to have sufficient additional authorized but unissued shares of common stock available in order to provide flexibility for corporate action in the future. Management believes that the availability of additional authorized shares for issuance from time to time in the board's discretion, such as in connection with stock options and rights, including our 2011 Stock Incentive Plan, future financings, incentives for key contractors, possible acquisitions of other companies, investment opportunities or for other corporate purposes, is desirable to allow Palatin to enter into such transactions in a timely way. We would like to avoid the situation which occurred in 2012, where completion of a major financing transaction was delayed and contingent on holding a special meeting of the stockholders, which cost approximately \$58,000.

We currently have no specific understandings, arrangements, agreements or other plans to issue, in connection with future financings, acquisitions or otherwise, any of the additional authorized but unissued shares that would be available as a result of the proposed increase in the number of authorized shares of our common stock. However, the board believes that the currently unissued shares do not provide sufficient flexibility for corporate action in the future, including future financings.

An increase in the number of authorized shares of our common stock could have the effect of making it more difficult to, or discouraging an attempt to, obtain control of Palatin by means of a takeover bid that our board determines is not in our best interests and the best interests of our stockholders. However, our board does not intend or view the proposed increase in authorized common stock as an anti-takeover measure and is not proposing the increase in response to any attempt or plan to obtain control of Palatin.

If the increase in authorized common stock is approved, we will not solicit further authorization by vote of the stockholders for issuance of the additional shares of common stock, except as required by law, regulatory authorities, the rules of the NYSE MKT or any other stock exchange on which our shares may then be listed.

The issuance of additional shares of common stock could have the effect of diluting existing stockholder earnings per share, book value per share and voting power. Other than rights of participation in future financings under the terms of the 2012 Private Placement offering described above, as set forth in the Securities Purchase Agreement included as an exhibit to the Current Report on Form 8-K that we filed with the SEC on July 6, 2012, our stockholders do not have any preemptive right to purchase or subscribe for any part of any new or additional issuance of our securities.

RECOMMENDATION OF THE BOARD

The board recommends a vote FOR the increased common stock authorization.

[END OF ITEM THREE]

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ITEM FOUR: APPROVAL OF AN INCREASE IN
COMMON STOCK AVAILABLE FOR ISSUANCE UNDER OUR
2011 STOCK INCENTIVE PLAN

INCREASE IN PLAN SHARES

On April 25, 2013, the board of directors authorized an increase in the number of shares of common stock available for issuance under the 2011 Stock Incentive Plan (the “2011 Plan”) from 3,500,000 shares to 7,000,000 shares. Approval by our stockholders of the share increase is required by the listing rules of the NYSE MKT, for favorable federal income tax treatment for grants of incentive stock options under Section 422 of the Internal Revenue Code of 1986 (the “Code”) and for continued eligibility to receive a federal income tax deduction for certain compensation paid under the plan by complying with Rule 162(m) of the Code. The only material change that is proposed to be made to the 2011 Plan is to increase the shares available for issuance from 3,500,000 shares to 7,000,000 shares.

In addition to the 3,500,000 shares initially available under the 2011 Plan, 482,921 shares have been available under the 2011 Plan upon reversion from its predecessor plan, our 2005 Stock Plan (the “Prior Plan”), making a total of 3,982,921 shares initially available under the 2011 Plan. As of April 25, 2013, options to purchase 2,108,600 shares were outstanding under the plan and 472,500 shares were issuable on vesting of outstanding restricted stock units. Restricted stock units for 250,000 shares have vested under the plan and those shares are no longer available for issuance. As of April 25, 2013, the number of shares issued or potentially issuable under all options and stock awards was 2,831,100, which leaves only 1,151,821 shares available for future grants of awards under the 2011 Plan. The board believes that it will not be able to continue carrying out the purposes of the plan unless additional stock becomes available for issuance under the plan.

Plan Highlights.The 2011 Plan authorizes the grant of equity-based and cash-based compensation to our key employees, consultants and non-employee directors in the form of stock options, stock appreciation rights, restricted shares, restricted stock units, other share-based awards and cash-based awards. Some of the key features of the 2011 Plan, assuming authorization of an increase in the number of shares of common stock available for issuance, are highlighted below and are more fully described under the heading “Summary of the Plan.”

- The maximum number of shares that may be issued under the 2011 Plan is 7,000,000, plus the number of shares available to be granted under the Prior Plan on May 11, 2011, the date of the initial stockholder approval of the 2011 Plan, and shares which become available under the 2011 Plan if they are forfeited under the Prior Plan on or after May 11, 2011.
- The 2011 Plan does not permit what has been labeled by some stockholder groups as “liberal share counting” when determining the number of shares that have been granted. Only awards that are cancelled, forfeited or which are paid in cash can be added back to the share reserve.
- The 2011 Plan is designed to allow awards made under the plan to qualify as “performance-based compensation” under Section 162(m) of the Internal Revenue Code.

- Dividends or dividend equivalents paid with respect to awards that vest based on the achievement of performance goals shall be accumulated until such award is earned, and the dividends or dividend equivalents shall not be paid if the performance goals are not satisfied.
 - The 2011 Plan prohibits the use of “discounted” stock options or stock appreciation rights.
- The 2011 Plan prohibits the re-pricing of stock options and stock appreciation rights without stockholder approval.
- Any awards granted under the 2011 Plan are subject to forfeiture or repayment if a participant’s employment or service is terminated for cause (as described below). Awards may also be subject to forfeiture or repayment pursuant to the terms of any compensation recovery policy adopted to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act or any rules issued by the SEC or the NYSE MKT.

The following is a summary of the plan. This summary is qualified in its entirety by reference to the text of the plan, a copy of which is attached as Appendix B to this proxy statement.

SUMMARY OF THE PLAN

The following is a summary of the 2011 Plan and is qualified in its entirety by reference to the full text of the 2011 Plan, which is attached as Appendix B to this Proxy Statement. If our stockholders do not approve this amendment to increase the number of shares available for issuance under the 2011 Plan, the share increase will not take effect. However, the 2011 Plan will remain in full effect accordingly to its existing terms, and we will be able to continue to make awards under the 2011 Plan subject to existing authorized share limits.

Plan Limits. Assuming stockholder approval of the increase of the number of shares of our common stock available for issuance under the 2011 Plan, the maximum number of shares of our common stock that may be issued or transferred with respect to awards under the 2011 Plan will be 7,000,000, plus the number of shares available to be granted under the Prior Plan on May 11, 2011, and shares that become available under the 2011 Plan if they are forfeited under the Prior Plan on or after May 11, 2011. Shares issued or delivered pursuant to an award under the 2011 Plan may include authorized but unissued shares, treasury shares, or a combination of the foregoing. Shares covering awards that terminate or are forfeited, or shares that are returned to the company pursuant to a compensation recovery policy, will again be available for issuance under the 2011 Plan, and upon payment in cash of the benefit provided by any award granted under the 2011 Plan, any shares that were covered by that award will be available for issue or transfer under the 2011 Plan.

Notwithstanding the foregoing, shares surrendered for the payment of the exercise price under stock options, repurchased by us with option proceeds, or withheld for taxes upon exercise or vesting of an award, are not again available for issuance under the 2011 Plan. In addition, if a stock appreciation right is exercised and settled in shares, all of the shares underlying the stock appreciation right are counted against the 2011 Plan limit regardless of the number of shares used to settle the stock appreciation right.

The 2011 Plan imposes various sub-limits on the number of shares of our common stock that may be issued or transferred under the 2011 Plan. In order to comply with the rules applicable to incentive stock options, the 2011 Plan provides that all of the shares available may be issued as incentive stock options. In order to comply with the exemption from Section 162(m) of the Internal Revenue Code relating to performance-based compensation, the 2011 Plan imposes the following additional individual sub-limits on awards intended to satisfy that exemption:

- the maximum aggregate number of shares that may be subject to stock options or stock appreciation rights granted in any calendar year to any one participant is 500,000 shares,
- the maximum aggregate number of shares of restricted shares and shares subject to restricted share units granted in any calendar year to any one participant is 500,000 shares,
- the maximum aggregate compensation that can be paid pursuant to other share-based awards or cash-based awards granted in any calendar year to any one participant is \$500,000 or a number of shares having an aggregate fair market value not in excess of such amount, and
- the maximum dividend equivalents that may be paid in any calendar year to any one participant is \$100,000.

Administration. The 2011 Plan is administered by our compensation committee or such other committee as our board selects consisting of two or more directors, each of whom is intended to be a “non-employee director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, an “outside director” under regulations promulgated under Section 162(m) of the Internal Revenue Code, and an “independent director” under the NYSE MKT listing standards. The compensation committee has full and final authority in its discretion to take all actions determined to be necessary in the administration of the 2011 Plan.

Our board may reserve to itself any or all of the authority and responsibility of the compensation committee under the 2011 Plan or may act as administrator of the 2011 Plan for any and all purposes. In addition, to the extent permitted by applicable laws, our board or compensation committee may expressly delegate to one or more directors or officers some or all of the compensation committee’s authority, within specified parameters, to administer the 2011 Plan.

Eligibility. The 2011 Plan provides that awards may be granted to our employees (including employees of our subsidiaries), consultants and non-employee directors, except that incentive stock options may be granted only to employees. Seven non-employee directors and 19 employees, together with consultants we utilize, would currently be eligible to participate in the 2011 Plan.

Duration and Modification. The 2011 Plan will terminate on March 11, 2021, or such earlier date as our board of directors may determine. The 2011 Plan will remain in effect for outstanding awards until no awards remain outstanding. The board may amend, suspend or terminate the 2011 Plan at any time but stockholder approval is required for any further amendment to the extent necessary to comply with the NYSE MKT rules or applicable laws.

An amendment of the 2011 Plan or any award may not adversely affect in a material way any outstanding award without the consent of the affected participant, provided that the compensation committee may amend the plan or any award without a participant's consent to the extent the compensation committee deems necessary to comply with applicable law.

Stock Options. Our compensation committee may, at any time and from time to time, grant stock options to participants in such number as the compensation committee determines in its discretion. Stock options may consist of incentive stock options (or "ISOs"), non-qualified stock options or any combinations of the foregoing awards.

Stock options provide the right to purchase common shares at a price not less than their fair market value on the date of grant (which date may not be earlier than the date that the compensation committee takes action with respect to such grants). The fair market value of our common stock as reported on the NYSE MKT on the record date, May 3, 2013, was \$[] per share. No stock options may be exercised more than 10 years from the date of grant.

Each grant must specify (i) the period of continuous employment that is necessary (or the performance objectives that must be achieved) before the stock options become exercisable, and (ii) the extent to which the option holder will have the right to exercise the stock options following termination. Our compensation committee will determine the terms in its discretion, which terms need not be uniform among all option holders.

The option price is payable at the time of exercise (i) in cash, (ii) by tendering unrestricted shares of our common stock that are already owned by the option holder and have a value at the time of exercise equal to the option price, (iii) by a cashless exercise (including by withholding shares deliverable upon exercise and through a broker-assisted arrangement to the extent permitted by applicable law), (iv) by any combination of the foregoing methods of payment, or (v) through any other method approved by the compensation committee.

Stock Appreciation Rights. Our compensation committee may, at any time and from time to time, grant stock appreciation rights (or "SARs") to participants in such number as the compensation committee determines in its discretion. The grant price for each SAR will be determined by the compensation committee, in its discretion, and will be at least equal to the fair market value of a share on the date of grant. No SAR may be exercised more than 10 years from the date of grant.

Upon the exercise of a SAR, the holder is entitled to receive payment in an amount determined by multiplying (i) the excess of the fair market value of a common share on the date of exercise over the grant price, by (ii) the number of shares with respect to which the SAR is exercised. Each grant will specify whether the payment will be in cash, common shares of equivalent value, or in some combination thereof.

Each grant of a SAR must specify (i) the period of continuous employment that is necessary (or the performance objectives that must be achieved) before the SAR becomes exercisable and (ii) the extent to which the holder will have the right to exercise the SAR following termination. Our compensation committee will determine these terms in its discretion, and these terms need not be uniform among all participants.

Restricted Shares. Our compensation committee may, at any time and from time to time, grant or sell restricted shares to participants in such number as the compensation committee determines in its discretion.

An award of restricted shares constitutes an immediate transfer of ownership of a specified number of common shares to the recipient in consideration of the performance of services. Unless otherwise provided by the compensation committee, the participant is entitled immediately to voting, dividend and other ownership rights in the shares. However, any right to dividends with respect to restricted shares that vest based on the achievement of performance objectives (as defined below) will be subject to the same terms and conditions as the restricted shares. The transfer may be made without additional consideration or in consideration of a payment by the recipient that is less than the fair market value per share on the date of grant.

Restricted shares must be subject to a “substantial risk of forfeiture,” within the meaning of Section 83 of the Internal Revenue Code, based on continued service, the achievement of performance objectives, or upon the occurrence of other events as determined by our compensation committee, at its discretion. In order to enforce these forfeiture provisions, the transferability of restricted shares will be prohibited or restricted in the manner prescribed by the compensation committee on the date of grant for the period during which such forfeiture provisions are to continue.

Restricted Share Units. Our compensation committee may, at any time and from time to time, grant or sell restricted share units, which are also sometimes called “restricted stock units,” to participants in such number as the compensation committee determines in its discretion.

Restricted share units constitute an agreement to deliver common shares to the recipient in the future at the end of a restriction period and subject to the fulfillment of such conditions as the compensation committee may specify. To the extent earned, the participant will receive payment of such performance-based restricted share units at the time and in the manner determined by our compensation committee, in cash, common shares, restricted shares, or any combination thereof.

During the restriction period the participant has no right to transfer any rights under his or her award and no right to vote or receive dividends on the shares covered by the restricted share units, but the compensation committee may authorize the payment of dividend equivalents with respect to the restricted share units on a current or deferred basis. However, any right to dividends equivalents with respect to restricted share units that vest based on the achievement of performance objectives (as defined below) is subject to the same terms and conditions as the restricted share units.

Other Share-Based Awards. Our compensation committee may, at any time and from time to time, grant or sell other share-based awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of our common stock or factors that may influence the value of such shares. For example, the awards may include common shares granted as a stock bonus, convertible or exchangeable debt securities or other securities, purchase rights for shares, or awards with value and payment contingent upon performance of our company or our subsidiaries or other factors determined by the compensation committee.

The compensation committee will determine the terms and conditions of these other share-based awards. Common shares delivered pursuant to these types of awards will be purchased for such consideration, by such methods and in such forms as the compensation committee determines. Other share-based awards may be granted with a right to receive dividend equivalents on a current or deferred basis. However, any right to dividend equivalents with respect to any other share-based award that vests based on the achievement of performance objectives (as defined below) will be subject to the same terms and conditions as the other share-based award.

Cash-Based Awards. We may also grant cash-based awards under the 2011 Plan. A cash-based award gives a participant a right to receive a specified amount of cash, subject to terms and conditions established by the compensation committee, which may include continued service and/or the achievement of performance objectives.

Performance Objectives. Our compensation committee may condition the vesting, exercise or payment of any award upon the achievement of one or more performance objectives. Performance objectives may be described in terms of either company-wide objectives or objectives that are related to the performance of the individual participant or the performance of our company or one or more of its subsidiaries, divisions, departments, units, functions, partnerships, joint ventures or minority investments, product lines or products, or the performance of an individual participant. The performance objectives may be relative to the performance of a group of comparable companies, a published or special index that our compensation committee, in its discretion, deems appropriate, or we may also select performance objectives as compared to various stock market indices.

Moreover, the compensation committee may designate any restricted share, restricted share unit, other share-based award or cash-based award as a qualified performance-based award in order to make the award fully deductible for federal income tax purposes without regard to the \$1 million limit imposed by Section 162(m) of the Internal Revenue Code. If an award is so designated, the compensation committee must establish objectively determinable performance objectives for the award within certain time limits. Performance objectives for such awards will be based on one or more of the following criteria: revenues, earnings from operations, operating income, earnings before or after interest and taxes, operating income before or after interest and taxes, net income, cash flow, earnings per share, return on total capital, return on invested capital, return on equity, return on assets, total return to stockholders, earnings before or after interest, or extraordinary or special items, operating income before or after interest, taxes, depreciation, amortization or extraordinary or special items, return on investment, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, cash flow in excess of cost of capital, operating margin, profit margin, contribution margin, stock price and/or strategic business criteria consisting of one or more objectives based on meeting specified product development, strategic partnering, research and development milestones, clinical trial status, product approvals in geographic regions, market penetration, geographic business expansion goals, cost targets, customer satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates and joint ventures. To the extent consistent with Section 162(m) of the Internal Revenue Code, the performance objectives may be calculated without regard to extraordinary items or adjusted, as the compensation committee deems equitable, in recognition of unusual or non-recurring events affecting our company or its subsidiaries or changes in applicable tax laws or accounting principles.

Acceleration of Awards. Our compensation committee may in its discretion determine at any time that: (i) all or a portion of a participant's stock options, SARs and other awards in the nature of rights that may be exercised will become fully or partially exercisable; (ii) all or a part of the time-based vesting restrictions on all or a portion of the outstanding awards will lapse; (iii) any performance-based criteria with respect to any awards will be deemed to be wholly or partially satisfied; and/or (iv) any other limitation or requirement under any such award will be waived, in each case, as of such date as the compensation committee, in its discretion, declares. Any such decisions by the compensation committee need not be uniform among all participants or awards. Unless our compensation committee otherwise determines, any such adjustment that is made with respect to an award that is intended to qualify for the performance-based exception of Section 162(m) of the Internal Revenue Code will be specified at such times and in such manner as will not cause such awards to fail to qualify under the performance-based exception. Additionally, the compensation committee will not make any adjustment that would cause an award that is otherwise exempt from Section 409A of the Internal Revenue Code to become subject to Section 409A or that would cause an award that is subject to Section 409A of the Internal Revenue Code to fail to satisfy the requirements of Section 409A.

Change in Control. If we experience a change in control, the compensation committee generally has discretion to take action with respect to outstanding awards, including, without limitation, the ability to (i) accelerate the vesting, settlement or exercisability of an award; (ii) cancel an award in exchange for a cash payment; (iii) cancel a stock option or SAR without payment if the fair market value of a share on the date of the change in control does not exceed the exercise price per share of the stock option or SAR; or (iv) issue substitute awards.

A change in control generally means any of the following: (i) the acquisition of 50% or more of our outstanding voting securities; (ii) a change in the membership of our board of directors, so that the current incumbents and their approved successors no longer constitute a majority; (iii) consummation of a merger, reorganization or consolidation, unless the owners of our voting securities own 50% or more of the resulting corporation; or (iv) the sale or other disposition of all or substantially all of our assets.

Forfeiture or Repayment of Awards. If a participant's employment or service is terminated for cause, then, upon notice from the compensation committee, the participant shall forfeit all outstanding awards, return any shares held by the participant that were acquired under the 2011 Plan, and repay the company in cash for any shares that were acquired under the 2011 Plan but previously disposed of by the participant. For this purpose, "cause" shall have the meaning specified in any applicable employment agreement with the participant, or, if there is no such agreement, "cause" generally shall mean: (i) a material breach of, or habitual neglect or failure to perform the material aspects of a participant's duties; the participant's material failure to follow the reasonable directives or policies established by the company; or the participant's engaging in conduct that is materially detrimental to the interests of the company and that results in a material loss or injury, provided that in each case the participant has a limited opportunity to remedy the situation (if capable of being remedied); (ii) the willful breach by the participant of any provision of any confidentiality, invention and non-disclosure, non-competition or similar agreement between the participant and the company; or (iii) the conviction of the participant of, or the entry of a pleading of guilty or nolo contendere by the participant to, any crime involving moral turpitude or any felony.

Awards may also be subject to forfeiture or repayment pursuant to the terms of any compensation recovery policy adopted to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act or any rules issued by the SEC or the NYSE MKT.

Transferability. Except as our board of directors or compensation committee otherwise determines, awards granted under the 2011 Plan will not be transferable by a participant other than by will or the laws of descent and distribution. Except as otherwise determined by our compensation committee, any stock options and SARs will be exercisable during a participant's lifetime only by him or her or, in the event of the participant's legal incapacity to do so, by his or her guardian or legal representative. Any award made under the 2011 Plan may provide that any common shares issued or transferred as a result of the award will be subject to further restrictions upon transfer.

Adjustments. In the event of any equity restructuring, such as a stock dividend, stock split, spinoff, rights offering or recapitalization through a large, nonrecurring cash dividend, our compensation committee will adjust the number and kind of shares that may be delivered under the 2011 Plan, the individual award limits, and, with respect to outstanding awards, the number and kind of shares subject to outstanding awards, the exercise price, and the grant price or other price of shares subject to outstanding awards, to prevent dilution or enlargement of rights. In the event of any other change in corporate capitalization, such as a merger, consolidation or liquidation, the compensation committee may, in its discretion, cause there to be such equitable adjustment as described in the foregoing sentence, to prevent dilution or enlargement of rights. However, unless otherwise determined by the compensation committee, we will always round down to a whole number of shares subject to any award. Any such adjustment will be made by our compensation committee, whose determination will be conclusive.

Prohibition on Re-Pricing. Subject to adjustment as described under "Adjustments" immediately above, the 2011 Plan does not permit, without the approval of our stockholders, what is commonly known as the "re-pricing" of stock options or SARs, including:

- an amendment to reduce the exercise price of any outstanding stock option or base price of any outstanding SAR;
- the cancellation of an outstanding stock option or SAR and replacement with a stock option having a lower exercise price or with a SAR having a lower base price; and
- the cancellation of an outstanding stock option or SAR and replacement with another award under the 2011 Plan.

FEDERAL INCOME TAX CONSEQUENCES

The following discussion is limited to a summary of the U.S. federal income tax provisions relating to the grant, exercise and vesting of awards under the 2011 Plan. The tax consequences of awards may vary according to country of participation. Also, the tax consequences of the grant, exercise or vesting of awards vary depending upon the particular circumstances, and it should be noted that income tax laws, regulations and interpretations change frequently. Participants should rely upon their own tax advisors for advice concerning the specific tax consequences applicable to them, including the applicability and effect of state, local and foreign tax laws.

Tax Consequences to Participants

Nonqualified Stock Options. In general, (i) a participant will not recognize income at the time a nonqualified option is granted; (ii) a participant will recognize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares on the date of exercise over the option price paid for the shares; and (iii) at the time of sale of shares acquired pursuant to the exercise of the nonqualified option, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

Incentive Stock Options. A participant will not recognize income at the time an ISO is granted or exercised. However, the excess of the fair market value of the shares on the date of exercise over the option price paid may constitute a preference item for the alternative minimum tax. If shares are issued to the optionee pursuant to the exercise of an ISO, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of the grant or within one year after the issuance of such shares to the optionee, then upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee as a long-term capital gain and any loss sustained will be a long-term capital loss. If shares acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares as of the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the option price paid for such shares. Any further gain (or loss) realized by the participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

SARs. A participant will not recognize income upon the grant of a SAR. The participant generally will recognize ordinary income when the SAR is exercised in an amount equal to the cash and the fair market value of any unrestricted shares received on the exercise.

Restricted Shares. A participant will not be subject to tax until the shares of restricted shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Internal Revenue Code. At that time, the participant will be subject to tax at ordinary income rates on the fair market value of the restricted shares (reduced by any amount paid by the participant for such restricted shares). However, a participant who so elects under Section 83(b) of the Internal Revenue Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the shares equal to the excess of the fair market value of such shares over the purchase price, if any, of such restricted shares. Any appreciation (or depreciation) realized upon a later disposition of such shares will be treated as long-term or short-term capital gain depending upon how long the shares have been held. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are subject to forfeiture and restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the participant.

Restricted Share Units. A participant will not recognize income upon the grant of restricted share units. Upon payment of the awards, the participant generally will recognize ordinary income in an amount equal to the cash and the fair market value of any unrestricted shares received.

Other Share-Based Awards and Cash-Based Awards. A participant generally will recognize ordinary income upon the payment of other share-based awards or cash-based awards in an amount equal to the cash and the fair market value of any unrestricted shares received.

Dividend Equivalents. Any dividend equivalents awarded with respect to awards granted under the 2011 Plan and paid in cash or unrestricted shares will be taxed to the participant at ordinary income rates when received by the participant.

Section 409A. The 2011 Plan permits the grant of various types of awards that may or may not be exempt from Section 409A of the Internal Revenue Code. If an award is subject to Section 409A, and if the requirements of Section 409A are not met, the taxable events as described above could apply earlier than described, and could result in the imposition of additional taxes and penalties. Restricted shares awards, unrestricted shares awards, stock options and stock appreciation rights that comply with the terms of the 2011 Plan are designed to be exempt from the application of Section 409A. Restricted share units and dividend equivalents granted under the 2011 Plan will be subject to Section 409A unless they are designed to satisfy the short-term deferral exemption (or another applicable exception). If not exempt, those awards will be designed to meet the requirements of Section 409A in order to avoid early taxation and penalties.

Tax Consequences to Us. To the extent that a participant recognizes ordinary income in the circumstances described above, our company or our subsidiary for which the participant performs services will be entitled to a corresponding compensation deduction provided that, among other things, the compensation meets the test of reasonableness, is an ordinary and necessary business expense, is not an “excess parachute payment” within the meaning of Section 280G of the Internal Revenue Code, and is not disallowed by the \$1 million limitation on executive compensation under Section 162(m) of the Internal Revenue Code.

AWARDS GRANTED TO MANAGEMENT, DIRECTORS AND EMPLOYEES

The following table shows all outstanding options and restricted stock units as of April 25, 2013, whether currently exercisable or not, granted under the 2011 Plan to our executive officers, directors and employees. These options and restricted stock units are not subject to stockholder approval of the increase in common stock available under the 2011 Plan. The closing price of our common stock as reported on NYSE MKT was \$0.67 on April 25, 2013.

NEW PLAN BENEFITS OUTSTANDING AWARDS TABLE – 2011 PLAN

Name and Position	Number of option shares	Number of restricted stock units
Carl Spana, Ph.D., chief executive officer, president and director	450,000	237,500
Stephen T. Wills, MST, CPA, chief financial officer, chief operating officer and executive vice president	385,000	222,500
John K.A. Prendergast, Ph.D., director and chairman of the board	131,250	0
Perry B. Molinoff, M.D., director	87,500	0
Robert K. deVeer, Jr., director	87,500	0

Name and Position	Number of option shares	Number of restricted stock units
Zola P. Horovitz, Ph.D., director	87,500	0
Robert I. Taber, Ph.D., director	87,500	0
J. Stanley Hull, director	87,500	0
Alan W. Dunton, M.D., director	47,500	0
TWO EXECUTIVE OFFICERS AS A GROUP:	835,000	460,000
SEVEN NON-EXECUTIVE DIRECTORS AS A GROUP:	616,250	0
NON-EXECUTIVE EMPLOYEES AS A GROUP:	657,350	12,500

Our compensation committee will determine, in its discretion, all awards under the 2011 Plan, but except as set forth above no future awards to our officers, employees or non-employee directors under the 2011 Plan are currently determinable.

OTHER MATTERS

Registration with the SEC. We intend to file a Registration Statement on Form S-8 relating to the issuance of additional common shares under the 2011 Plan with the SEC under the Securities Act of 1933, as soon as is practicable after approval by our stockholders of the increase in shares available of the 2011 Plan.

Securities Authorized for Issuance Under Equity Compensation Plans. The table below provides information on our equity compensation plans as of June 30, 2012:

Equity Compensation Plan Information as of June 30, 2012

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,431,853 (1)	\$ 3.50 (2)	1,908,796
	0	0	0

Equity compensation plans not approved
by security holders

Total	2,431,853	\$	3.50	1,908,796
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(1) Consists of 1,541,750 options and 250,000 restricted stock units granted under our 2011 Plan, 538,150 options granted under our 2005 Stock Plan and 101,953 options granted under our 1996 Stock Option Plan. Both our 2005 Stock Plan and 1996 Stock Option Plan have terminated, but termination does not affect awards that are currently outstanding under these plans. The shares subject to outstanding awards under the 2005 Stock Plan, if forfeited prior to exercise, will become available for issuance under the 2011 Plan.

Proxy Statement, page 31

(2) The amount in column (a) for equity compensation plans approved by security holders includes 250,000 shares reserved for issuance on vesting of outstanding restricted stock units, granted under our 2011 Plan, which vest on June 22, 2013, subject to the fulfillment of service conditions. Because no exercise price is required for issuance of shares on vesting of the restricted stock units, the weighted-average exercise price in column (b) does not take the restricted stock units into account.

Current Equity Compensation Plan Information. As of April 25, 2013, there were 2,672,358 shares subject to issuance upon exercise of outstanding options or awards under all of our equity compensation plans referred to in the table below, at a weighted average exercise price of \$2.63, and with a weighted average remaining life of 7.6 years. There were a total of 472,500 shares subject to outstanding restricted stock unit awards that remain subject to forfeiture. As of April 25, 2013, there were 1,151,821 shares available for future issuance under the 2011 Plan, which is the only equity compensation plan for which any shares are available for future issuance.

Equity Compensation Plan Information
as of April 25, 2013

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,144,858 (1)	\$ 2.63 (2)	1,151,821
Equity compensation plans not approved by security holders	0	0	0
Total	3,144,858	\$ 2.63	1,151,821

(1) Consists of 2,108,600 options and 472,500 restricted stock units granted under our 2011 Plan, 505,775 options granted under our 2005 Stock Plan and 57,983 options granted under our 1996 Stock Option Plan. Both our 2005 Stock Plan and 1996 Stock Option Plan have terminated, but termination does not affect awards that are currently outstanding under these plans. The shares subject to outstanding awards under the 2005 Stock Plan, if forfeited prior to exercise, will become available for issuance under the 2011 Plan.

(2) The amount in column (a) for equity compensation plans approved by security holders includes 472,500 shares reserved for issuance on vesting of outstanding restricted stock units, granted under our 2011 Plan, of which 250,000 vest on June 22, 2013, 111,250 vest on July 17, 2013 and the balance of 111,250 vest on July 17, 2014, subject to the fulfillment of service conditions. Because no exercise price is required for issuance of shares on vesting of the restricted stock units, the weighted-average exercise price in column (b) does not take the restricted stock units into account.

There have been no grants of any options, warrants or rights under the 2011 Plan or otherwise between April 25, 2013 and the date of this proxy statement, May 15, 2013.

RECOMMENDATION OF THE BOARD

The board recommends a vote FOR the amendment to increase common stock available for issuance under our 2011 Stock Incentive Plan.

[END OF ITEM FOUR]

Proxy Statement, page 33

ITEM FIVE: ADVISORY APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

As required by Section 14A of the Securities Exchange Act of 1934, as amended, we are seeking an advisory, non-binding stockholder vote with respect to the compensation of our executive officers listed in the Summary Compensation Table in the “Executive Compensation” section of this Proxy Statement (sometimes referred to as the “NEOs”) for fiscal year 2012, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. This vote is commonly known as a “say-on-pay” advisory vote.

We compensate our NEOs in accordance with three-year employment agreements that are designed to motivate our NEOs to achieve both annual and long-term financial and strategic objectives. See “Employment Agreements” under the Executive Compensation section below. Here is a summary of how we determine compensation under those agreements:

- **Base salary.** The employment agreement sets a base salary which reflects the market for executive talent in our industry at the time we entered into the agreement, along with each NEO’s experience and particular expertise, both in the industry and with Palatin. The fact that the employment agreements are for a term of three years gives us the opportunity to do a thorough re-evaluation of market conditions at reasonable intervals, and gives us and the NEO the opportunity to renegotiate any terms which experience has indicated ought to change.
- **Annual salary adjustment.** Each year the compensation committee evaluates whether the NEO’s salary is keeping pace with inflation and market conditions and adequately reflecting the NEO’s overall contributions to the company. This may result in a salary increase.
- **Annual discretionary bonus.** Each year the compensation committee evaluates the NEO’s contributions to annual operating results and achievement of annual objectives. This may result in a cash bonus.
- **Stock-based incentives.** Each year the compensation committee evaluates the non-cash portion of the NEO’s compensation, consisting of grants of stock options and restricted stock units. The stock-based compensation can vest over longer or shorter terms, usually from one to four years. Providing a significant portion of the NEO’s total compensation in the form of stock or stock options is intended to align the NEO’s motivation with long-term stock value. Our stock-based awards are simple and straightforward, just stock options and restricted stock units, the dollar value of which is set forth under Executive Compensation.

None of the compensation we award above the base salary is automatic or perfunctory. There have been years in which we did not increase salaries, grant any cash bonuses or grant any stock-based awards. We believe that NEO compensation for the fiscal year ended June 30, 2012 was effective in retaining and motivating our NEOs to work toward our annual and long-term goals, and well within the range of normal practices for companies of our size and in our industry. Accordingly, we ask for our stockholders to indicate their support for the compensation paid to our NEOs by voting FOR the following non-binding resolution at the meeting:

RESOLVED, that the stockholders approve the compensation of the named executive officers for fiscal year 2012 listed in the Summary Compensation Table in the Executive Compensation section of the proxy statement, as disclosed pursuant to Item 402 of Regulation S-K, including the compensation tables and narrative discussion.

Approval of this proposal requires that votes cast in favor of the proposal exceed the votes cast against the proposal. Because your vote is advisory, the result will not be binding on the board or the compensation committee. Nonetheless, the board and the compensation committee value the opinions of our stockholders and will consider the outcome of the vote, along with other relevant factors, when making future compensation decisions for NEOs.

RECOMMENDATION OF THE BOARD

The board recommends a vote FOR the approval of the compensation of the NEOs, as stated in the above non-binding resolution.

[END OF ITEM FIVE]

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