

ORIENTAL FINANCIAL GROUP INC
Form PRE 14A
March 04, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 §240.14a-12

Oriental Financial Group 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):

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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March [], 2013

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders, which will be held at our main executive office located at Oriental Tower, Professional Offices Park, 997 San Roberto Street, 8th Floor, San Juan, Puerto Rico, on Wednesday, April 24, 2013. The meeting will begin promptly at 10:00 a.m. (EST).

Details of the business to be conducted at the annual meeting are given in the attached notice of annual meeting and proxy statement. Only shareholders of record as of March 1, 2013, are entitled to notice of, and to vote at, the annual meeting or any adjournments or postponements thereof.

Your vote is important. Please review the enclosed proxy statement and complete, sign and return your proxy card promptly in the accompanying reply envelope, even if you plan to attend the meeting.

If you attend the meeting, you must show at the entrance to the meeting proof of ownership of our shares of common stock, such as a broker's statement showing the shares held by you and a proper identification card. If your shares are not registered in your own name and you plan to attend the meeting and vote your shares in person, you must contact your broker or agent in whose name your shares are registered to obtain a broker's proxy issued in your name and bring it to the meeting in order to vote. Remember that you may also vote by telephone or over the Internet. For more details and instructions, please refer to the enclosed proxy statement and proxy card.

We look forward to seeing you at the annual meeting.

Sincerely,

Julian S. Inclán

Chairman

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ORIENTAL FINANCIAL GROUP INC.

P.O. Box 195115

San Juan, Puerto Rico 00919-5115

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 24, 2013

Notice is hereby given that the annual meeting of shareholders of Oriental Financial Group Inc. (we, us, our, or the Company), a financial holding company and corporation organized under the laws of the Commonwealth of Puerto Rico, is scheduled to be held at Oriental Tower, Professional Offices Park, 997 San Roberto Street, 8th Floor, San Juan, Puerto Rico, commencing at 10:00 a.m. (EST) on Wednesday, April 24, 2013, to consider and vote upon the following matters described in this notice and the accompanying proxy statement:

1. To elect two directors for three-year terms expiring at the 2016 annual meeting of shareholders and when their successors are duly elected and qualified;
2. To provide an advisory vote on executive compensation;
3. To replenish and increase the number of shares reserved for issuance under the 2007 Omnibus Performance Incentive Plan, as amended and restated;
4. To amend the Article First of our articles of incorporation, as amended, to change the Company's name to OFG Bancorp ;
5. To ratify the selection of the Company's independent registered public accounting firm for 2013;
6. To approve the adjournment or postponement of the annual meeting of shareholders to a later date or dates, if necessary, to solicit additional proxies if there are insufficient proxies given prior to the time of the annual meeting to constitute a quorum for purposes of the annual meeting or to solicit additional proxies in favor of the approval of Proposals 3 and 4; and
7. To transact such other business as may properly come before the annual meeting or at any adjournments or postponements thereof. Except with respect to procedural matters incident to the conduct of the annual meeting, the Company is not aware of any other business to be brought before the annual meeting.

These matters are described more fully in the accompanying proxy statement, which you are urged to read thoroughly. The Company's Board of Directors recommends a vote FOR each of the proposals. Only shareholders of record at the close of business on March 1, 2013, are entitled to notice of, and to vote at, the annual meeting.

To assure representation at the annual meeting, shareholders are urged to return a proxy as promptly as possible either by voting through the Internet or telephone, or by signing, dating and returning a proxy card in accordance with the enclosed instructions. Any shareholder attending the annual meeting may vote in person even if he or she previously returned a proxy.

In San Juan, Puerto Rico, on March [], 2013.

By order of the Board of Directors,

Carlos O. Souffront

Secretary

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ORIENTAL FINANCIAL GROUP INC.

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON WEDNESDAY, APRIL 24, 2013

This proxy statement contains important information related to the annual meeting of shareholders of Oriental Financial Group Inc. (we, us, our, or the Company) to be held on Wednesday, April 24, 2013 at 10:00 a.m. (EST), at its main executive office located at Oriental Tower, Professional Offices Park, 997 San Roberto Street, 8th Floor, San Juan, Puerto Rico, or any adjournments or postponements thereof. This proxy statement and the accompanying proxy card are expected to be made available to shareholders on or about March [], 2013.

GENERAL QUESTIONS ABOUT THE ANNUAL MEETING

What information is contained in this proxy statement?

The information in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, our Board of Directors and its committees, the compensation of our directors and executive officers, and other required information.

Who is soliciting my vote?

Our Board of Directors is soliciting your vote at the annual meeting.

Who will bear the costs of soliciting proxies for the annual meeting?

This solicitation of proxies is made on behalf of our Board of Directors, and we will bear the costs of solicitation. The expense of preparing, assembling, printing and mailing this proxy statement and the materials used in this solicitation of proxies also will be borne by us. It is contemplated that proxies will be solicited principally through the internet or mail, but our directors, officers and employees may solicit proxies personally or by telephone. Upon request, we will reimburse banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for distributing these proxy materials to our shareholders.

We have retained Georgeson Inc., an independent proxy solicitation firm, to assist us with the solicitation of proxies for a fee not to exceed \$15,500, plus reimbursement for out-of-pocket expenses.

What is the purpose of the annual meeting?

At the annual meeting, shareholders will act upon the matters outlined in the accompanying notice of annual meeting of shareholders, including the election of two directors, the advisory vote related to executive compensation, the replenishment and increase of the number of shares reserved for issuance under the 2007 Omnibus Performance Incentive Plan, as amended and restated (the Omnibus Plan), the amendment of our articles of incorporation, as amended, to change the Company's name, the ratification of the selection of our independent registered public accounting firm for 2013, the adjournment and postponement of the annual meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient proxies given prior to the time of the annual meeting or to solicit additional proxies in favor of the approval of Proposals 3 and 4, and the transaction of any other business that may properly come before the meeting or any adjournments or postponements thereof. Proxies solicited hereby may be exercised only at the annual meeting, including any adjournments or postponements thereof, and will not be used for any other purpose.

Who is entitled to vote?

Only shareholders of record at the close of business on the record date, March 1, 2013, are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at the meeting, or any adjournments or postponements thereof. As of the close of business on March 1, 2013, there were [] shares of our common stock outstanding.

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What is the difference between a holder of record and a beneficial owner of shares held in street name?

Holder of Record. If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered the holder (or shareholder) of record with respect to those shares. As a holder of record, you should have been furnished this proxy statement and a proxy card directly by us.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a securities broker, bank or other similar organization acting as a nominee, then you are considered the beneficial owner of shares held in street name. The organization holding your account is considered the holder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. Accordingly, you should have been furnished this proxy statement and a voting instruction form by that organization.

How can I vote?

Holder of Record. If you are a holder of record, you may vote either in person at the annual meeting, via the Internet (by following the instructions provided on the proxy card), by telephone (by calling the toll free number found on the proxy card), or by mail (by filling out the proxy card and returning it in the reply envelope provided).

Beneficial Owner of Shares Held in Street Name. If you hold your shares in street name, you should receive a voting instruction form from your securities broker, bank or other similar organization acting as a nominee asking you how you want to vote your shares. If you do not, you should contact your securities broker, bank or other similar organization acting as a nominee and obtain a voting instruction form from them. If you plan to attend the annual meeting and vote your shares in person, you must contact the securities broker, bank or other similar organization acting as a nominee in whose name your shares are registered to obtain a broker's proxy issued in your name and bring it to the annual meeting in order to vote.

How many votes do I have?

Each outstanding share of our common stock entitles its holder to cast one vote on each matter to be voted upon, except with respect to the election of directors in which you may cumulate your votes.

Pursuant to our articles of incorporation and by-laws, you have the right to cumulate your votes at annual meetings in which more than one director is being elected. Cumulative voting entitles you to a number of votes equal to the number of shares of common stock held by you multiplied by the number of directors to be elected. As a holder of our shares of common stock, you may cast all or any number of such votes for one nominee or distribute such votes among any two or more nominees as you desire. Thus, for example, for the election of the two nominees being considered at this annual meeting, a shareholder owning 1,000 shares of our common stock is entitled to 2,000 votes and may distribute such votes equally among the nominees for election, cast them for the election of only one of such nominees, or otherwise distribute such votes as he or she desires.

If you return an executed proxy but do not expressly indicate that your votes should be cumulated in a particular fashion, the votes represented by your proxy will be distributed equally among the two nominees designated by our Board of Directors or in such other fashion as will most likely ensure the election of all the nominees.

How does our Board of Directors recommend that I vote?

Our Board of Directors recommends that you vote FOR the election of each nominee to the Board; FOR the advisory vote related to the compensation of our executives; FOR the replenishment and increase of the number of shares reserved for issuance under the Omnibus Plan; FOR the amendment of our articles of incorporation, as amended, to change the Company's name; FOR the adjournment or postponement of the annual meeting to a later

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date or dates, if necessary, to solicit additional proxies if there are insufficient proxies given prior to the time of the annual meeting to constitute a quorum for the purpose of the annual meeting or to solicit additional proxies in favor of the approval of Proposals 3 and 4; and FOR the ratification of our independent registered public accounting firm for 2013.

Each proxy also confers discretionary authority on our Board of Directors to vote the proxy with respect to: (i) the approval of the minutes of the last annual meeting of shareholders; (ii) the election of any person as director if any nominee is unable to serve or, for good cause, will not serve; (iii) matters incident to the conduct of the annual meeting; and (iv) such other matters as may properly come before the annual meeting. Except with respect to procedural matters incident to the conduct of the annual meeting, we are not aware of any business that may properly come before the meeting other than those matters described in this proxy statement. However, if any other matters should properly come before the annual meeting, it is intended that proxies solicited hereby will be voted with respect to those other matters as recommended by our Board of Directors or, if no recommendation is given, in accordance with the judgment of the proxy holders.

What constitutes a quorum at the annual meeting?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum, permitting us to hold the meeting. As of the record date, [] shares of our common stock were outstanding. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting for purposes of determining quorum. A broker non-vote occurs when a securities broker, bank or other nominee indicates on the proxy card that it does not have discretionary authority to vote on a particular matter. Votes cast by proxy will be counted by Broadridge Financial Solutions, Inc., an independent third party. We urge you to vote by proxy even if you plan to attend the meeting, so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

How do I vote?

You can vote either in person at the meeting or by proxy even if you plan to attend the meeting. If you complete and properly sign the accompanying proxy card and return it in the enclosed reply envelope, it will be voted as you direct. If you are a shareholder of record and attend the meeting, you may deliver your completed proxy card in person. Alternatively, in lieu of signing the accompanying proxy card and returning it in the enclosed reply envelope, shareholders of record can vote their shares over the Internet, or by calling a specially designated telephone number. Internet and telephone voting procedures are designed to authenticate shareholders' identities, to allow shareholders to provide their voting instructions and to confirm that their instructions have been recorded properly. Specific instructions for shareholders of record who wish to use the Internet or telephone voting procedures are set forth in the enclosed proxy card.

Beneficial owners of shares held in street name who wish to vote at the meeting will have to obtain a proxy from the securities broker, bank or other nominee that holds their shares. Such beneficial owners may vote their shares by telephone or the Internet if the brokers, banks or other nominees that hold their shares make those methods available. If that is the case, each broker, bank or other nominee will enclose instructions with the proxy statement.

To avoid delays in ballot taking and counting, and in order to ensure that your proxy is voted in accordance with your wishes, we respectfully request that you give your full title when signing a proxy as attorney, executor, administrator, trustee, guardian, authorized officer of an entity, or on behalf of a minor. If shares are registered in the name of more than one shareholder of record, all shareholders of record must sign the proxy card.

Can I change my vote after I return my proxy card?

Yes. After you have submitted your proxy card, you may change your vote at any time before the proxy is exercised. To do so, just send in a new proxy card with a later date or cast a new vote by telephone or over the Internet, or send a written notice of revocation to the Secretary of our Board of Directors, P.O. Box 195115, San

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Juan, Puerto Rico 00919-5115, delivered before the proxy is exercised. If you attend the meeting, and want to vote in person, you may request that your previously submitted proxy not be used. Attendance at the meeting will not by itself revoke a previously granted proxy.

What vote is required to approve each item and how are abstentions and broker non-votes treated?

Action with respect to the election of directors will be taken by a plurality of the votes of the shares represented in person or by proxy at the annual meeting and entitled to vote. In other words, to be elected, each director nominee must receive more votes cast **FOR** such nominee's election than votes cast **WITHHOLD AUTHORITY** for such nominee's election. Abstentions and broker non-votes will not be counted as either an affirmative vote or a negative vote regarding the election of directors and, therefore, will not have a legal effect on such election.

For the advisory vote on the compensation of our executives, the ratification of our independent registered public accounting firm for 2013, and the adjournment or postponement of the annual meeting to a later date or dates, if necessary, to solicit additional proxies, the affirmative vote of the holders of a majority of the shares represented in person or by proxy at the meeting and entitled to vote will be required for approval. Abstentions will have the same effect as a negative vote, and broker non-votes will not be counted in determining the number of shares necessary for approval.

For the replenishment and increase of the number of shares reserved for issuance under the Omnibus Plan, the rules of the NYSE require that such proposal be approved by a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the outstanding shares of our common stock entitled to vote on the proposal. Abstentions in such proposal will have the same effect as a negative vote, and broker non-votes can have the effect of a vote against the proposal if such broker non-vote results in the total number of votes cast on the proposal not representing over 50% of the outstanding shares of our common stock entitled to vote on the proposal. For the amendment of our articles of incorporation to change the Company's name, the affirmative vote of the holders of a majority of the outstanding shares entitled to vote at the annual meeting will be required for approval. Abstentions and broker non-votes will have the same effect as a vote against the proposal.

What happens if I do not give specific voting instructions?

Holder of Record. If you are a holder of record and you sign and return a proxy card without giving specific instructions, then the proxy holders will vote your shares in the manner recommended by our Board of Directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

Beneficial Owner of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform us that it does not have the authority to vote on such matter with respect to your shares (that is, a broker non-vote). Except for the ratification of our independent registered public accounting firm for 2013, we believe that each of the other proposals set forth in this proxy statement will be considered non-routine under the rules of the New York Stock Exchange (which apply to brokers), and therefore, there could be broker non-votes on such proposals.

What happens if the annual meeting is adjourned or postponed?

Your proxy will still be valid and may be voted at the adjourned or postponed meeting. You will still be able to change or revoke your proxy before it is exercised.

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How can I obtain directions to attend the annual meeting?

If you need directions to be able to attend the annual meeting and vote in person, please visit our website at www.orientalfg.com or contact Anreder & Company, our investor relations firm, at (212) 532-3232 or (800) 421-1003; email: ofg@anreder.com.

PROPOSAL 1: ELECTION OF DIRECTORS

Our by-laws provide that the Board of Directors will consist of such number of directors as fixed from time to time by resolution of the Board. The number of directors, as established by resolution, is presently seven. Our articles of incorporation and by-laws also provide that the Board of Directors will be divided into three classes of directors as nearly equal in number as possible. The members of each class are to be elected for a term of three years and until their successors are duly elected and qualified. Only one class of directors is to be elected annually.

There are no arrangements or understandings between us and any person pursuant to which such person has been elected as a director. No director is related to any of our directors or executive officers, by blood, marriage or adoption (excluding those that are more remote than first cousin).

José Rafael Fernández and José E. Rossi have been nominated by our Board of Directors for election as directors for three-year terms expiring in 2016. Set forth below is certain information with respect to each nominee.

José Rafael Fernández (Age 49) Mr. Fernández has been the President and Chief Executive Officer and a director of the Company since 2004 (including terms as a director of Oriental Bank). He is also the Vice Chairman of our Board of Directors and of the Board of Directors of Oriental Bank, and President and Chairman of the Boards of Directors of our other subsidiaries, including Oriental Financial Services Corp., Oriental Insurance, Inc., and Caribbean Pension Consultants, Inc.

Since becoming our CEO in 2004, Mr. Fernández has focused on developing Oriental's commercial banking platform. This led to the successful acquisitions of Banco Bilbao Vizcaya Argentaria's operations in Puerto Rico in 2012 and Eurobank in 2010, which have helped make the Company one of Puerto Rico's leading banking and financial services companies today. Since joining the Company in 1991, Mr. Fernández has managed each of our core businesses, including playing a major role in establishing the Company's leadership in trust and retirement services in Puerto Rico. In 2011, he was appointed as a member of the Community Depository Institutions Advisory Council established by the Federal Reserve Bank of New York to provide information and insight from the perspective of community depository institutions.

Mr. Fernández holds a Bachelor of Science degree from the University of Notre Dame and a Masters of Business Administration from the University of Michigan. He is a member of the Business Advisory Board of the University of Notre Dame's Mendoza Business School and of the Advisory Board of the Puerto Rico Conservation Trust. He also serves as Vice Chairman of the Board of Trustees of Sacred Heart University in Santurce, Puerto Rico and as a director of the Puerto Rico Museum of Art (*Museo de Arte de Puerto Rico*).

Our Corporate Governance and Nominating Committee recommended Mr. Fernández as a nominee, and our Board of Directors concluded that he should continue to serve as a director of the Company. The Board based its conclusion on his extensive knowledge and experience in our business and operations, his 28 years of experience in the financial services industry, and his instrumental role in our continued success. Under his leadership, we have achieved important business goals, including the acquisition of the Puerto Rico operations of Banco Bilbao Vizcaya Argentaria, S.A., and the acquisition of Eurobank in an FDIC-assisted transaction. As our CEO and Vice Chairman, Mr. Fernández has consistently demonstrated an ability to exercise sound business judgment and prudent management skills. Furthermore, his active involvement in community and civic affairs represents an ethical character that we seek in our leaders and company culture.

José E. Rossi (Age 54) Mr. Rossi has been a director of the Company since August 2008 (including terms as a director of Oriental Bank) and is a member of its Compensation Committee and Corporate Governance and Nominating Committee. He is the Chairman of the Board of Directors and majority owner of Aireko, a multi-

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enterprise construction group doing business in Puerto Rico and the Caribbean since 1963. Mr. Rossi has managed civil, institutional and industrial jobs for Aireko since 1980. He has also directed the development of Aireko's computerized estimating, cost control, and management systems. Today, he chairs the boards of three construction services companies in Puerto Rico and one in Florida. Mr. Rossi is also an officer of a metal products manufacturer and has been actively involved as an officer or director in several community and industry associations locally and abroad such as the Puerto Rico Manufacturer's Association, the Aireko Foundation, the Associated General Contractors (Puerto Rico chapter), the Construction Cluster of Puerto Rico, and the Young Presidents Organization (Puerto Rico chapter). He is the former chair of the Puerto Rico Manufacturer's Association, where he also previously served as vice president and director.

Our Corporate Governance and Nominating Committee recommended Mr. Rossi as a nominee, and our Board of Directors concluded that he should continue to serve as a director of the Company. The Board based its conclusion on his vast management experience in the construction and manufacturing industries and his participation in local business and trade associations.

If any person named as a nominee is unable or unwilling to stand for election at the time of the annual meeting, the proxy holders will nominate and vote for a replacement nominee or nominees recommended by our Board of Directors. At this time, the Board knows of no reason why any of the nominees listed above may not be able to serve as a director if elected.

Our Board of Directors recommends that you vote FOR ALL in this proposal.

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The following table sets forth information as to our shares of common stock beneficially owned by persons, including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act), known to us to be beneficial owners of more than 5% of the outstanding shares. The information is based upon filings made by such persons or entities pursuant to the Exchange Act.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (#)	Percent of Class
Wellington Management Company, LLP ¹ 280 Congress Street Boston, MA 02210	4,401,703	9.66%
Sy Jacobs ² 11 East, 26 th Street New York, NY 10010	4,055,357	8.90%
FMR LLC and Edward C. Johnson 3d ³ 82 Devonshire Street Boston, MA 02109	2,817,622	6.18%
BlackRock, Inc. ⁴ 40 East 52nd Street New York, NY 10022	2,463,041	5.40%
The Vanguard Group ⁵ 100 Vanguard Blvd. Malvern, PA 19355	2,372,985	5.20%

1. The information presented is based solely on information contained in the Schedule 13G/A filed by Wellington Management Company, LLP with the SEC on February 14, 2013.
2. The information presented is based solely on information contained in the Schedule 13G/A jointly filed by Sy Jacobs (Jacobs), Jacobs Asset Management, LLC (JAM LLC) and JAM Managers, LLC (JAM Managers) with the SEC on February 14, 2013. As reported therein, Jacobs has sole voting and investment power with respect to 19,500 shares, Jacobs and JAM LLC have shared voting and investment power with respect to 4,035,857 shares, and JAM Managers has shared voting and investment power with respect to 2,467,849.
3. The amount of shares beneficially owned is based solely on information contained in the Schedule 13G/A filed by FMR LLC (FMR) and Edward C. Johnson 3d (Johnson) with the SEC on February 14, 2012. As reported therein, FMR and Johnson have sole voting power with respect to 99,900 shares and sole

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investment power with respect to 2,817,622 shares. Such shares include 2,717,722 shares beneficially owned by Fidelity Management & Research Company (Fidelity), a wholly owned subsidiary of FMR, and 2,504,542 shares owned by Fidelity Low-Priced Stock Fund, an investment company under Section 8 of the Investment Company Act of 1940 for which Fidelity acts as an investment adviser. The percent of class is calculated on the basis of the total number of our shares of common stock outstanding as of December 31, 2012, which is 45,580,281.

4. The information presented is based solely on information contained in the Schedule 13G/A filed by BlackRock, Inc. with the SEC on February 11, 2013.
5. The information presented is based solely on information contained in the Schedule 13G filed by The Vanguard Group with the SEC on February 13, 2013.

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The following tables set forth information as to the number of our shares of common stock and serial preferred stock beneficially owned as of December 31, 2012, by (i) the directors; (ii) the Chief Executive Officer, Chief Financial Officer, and three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers on December 31, 2012 (collectively, the Named Executive Officers or NEOs); and (iii) the directors and executive officers, including the NEOs, as a group. The information is based upon filings made by such individuals pursuant to the Exchange Act, and information furnished by each of them.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock (#)	Percent of Common Stock ¹
Directors		
Julian S. Inclán	131,181 ²	
José Rafael Fernández	436,739 ³	
Juan C. Aguayo	35,083 ⁴	
Pablo I. Altieri	53,538 ⁵	
Francisco Arriví	17,381 ⁶	
Pedro Morazzani	11,450 ⁷	
José E. Rossi	208,218 ⁸	
Named Executive Officers		
José Rafael Fernández	436,739 ³	
José Ramón González	7,642 ⁹	
Ganesh Kumar	95,719 ¹¹	
Norberto González	87,518 ¹⁰	
Ramón Rosado	1,525 ¹²	
Directors and Executive Officers as a Group¹²	1,149,545	2.52%

- Unless otherwise indicated, each of the persons named in the table beneficially holds less than 1% of the outstanding shares of common stock. This percentage is calculated on the basis of the total number of our shares of common stock outstanding as of December 31, 2012, which is 45,580,281.
- This amount includes 30,322 shares as to which he has shared investment and voting power and 2,500 restricted units that are subject to a restricted period that will lapse within 60 days.
- This amount includes 197,791 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days and 3,500 restricted units that are subject to a restricted period that will lapse within 60 days. It also includes 5,930 shares that he owns through our 401(k)/1081.01(d) Plan, 38,000 shares held in his deferred compensation trust, and 7,000 shares owned by his spouse.
- This amount includes 2,200 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days and 3,500 restricted units that are subject to a restricted period that will lapse within 60 days. It also includes 9,461 shares owned by his spouse.
- This amount includes 6,737 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days and 2,500 restricted units that are subject to a restricted period that will lapse within 60 days.
- This amount includes 5,603 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days and 2,500 restricted units that are subject to a restricted period that will lapse within 60 days. It also includes 1,400 shares owned by his spouse.
- This amount includes 750 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days and 3,500 restricted units that are subject to a restricted period that will lapse within 60 days.
- This amount includes 1,700 shares owned by his daughter.
- This amount includes 7,500 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days and 142 shares that he owns through our 401(k)/1081.01(d) Plan.
- This amount includes 67,986 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days and 1,100 restricted units that are subject to a restricted period that will lapse within 60 days. It also includes 732 shares that he owns through our 401(k)/1081.01(d) Plan.
- This amount includes 11,608 shares that he owns through our 401(k)/1081.01(d) Plan, 75,171 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days, 1,100 restricted units that are subject to a restricted period that will lapse within 60 days, and 2,800 shares held in a joint account with his spouse.
- This amount includes 600 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days.
- The group consists of 13 persons including all directors, Named Executive Officers, and executive officers who are not directors.

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Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Series A Preferred	
	Stock (#)	Percent of Series A Preferred Stock ¹
Named Executive Officers		
Ganesh Kumar	2,000 ²	
Directors and Executive Officers as a Group³		
	2,000	

1. Unless otherwise indicated, each of the persons named in the table beneficially holds less than 1% of the outstanding shares of such preferred stock.
2. These shares are held in his deferred compensation trust.
3. The group consists of 13 persons including all directors, Named Executive Officers, and executive officers who are not directors.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Series D Preferred	
	Stock (#)	Percent of Series D Preferred Stock ¹
Directors		
Julian S. Inclán	12,680	
José Rafael Fernández	6,340 ²	
Pablo I. Altieri	2,536	
Francisco Arriví	380	
José E. Rossi	5,072	
Named Executive Officers		
José Rafael Fernández	6,340 ²	
Ganesh Kumar	8,608 ²	
Directors and Executive Officers as a Group³		
	49,636	

1. Unless otherwise indicated, each of the persons named in the table beneficially holds less than 1% of the outstanding shares of such preferred stock.
2. These shares are held in his deferred compensation trust.
3. The group consists of 13 persons including all directors, Named Executive Officers, and executive officers who are not directors.

For purposes of the foregoing tables, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which shares are deemed to be beneficially owned by a person if he or she directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares the power to vote or direct the voting of the shares, and/or the power to dispose or direct the disposition of the shares, whether or not he or she has any economic interest therein. Unless otherwise indicated in the foregoing tables, the named beneficial owner has sole voting and investment power with respect to the shares, subject, in the case of those directors and officers who are married, to the marital community property laws of Puerto Rico. Under Rule 13d-3, a person is deemed to have beneficial ownership of any shares of common stock which he or she has a right to acquire within 60 days, including, without limitation, pursuant to the exercise of any option, warrant or right. Shares of common stock which are subject to such options or other rights of acquisition are deemed to be outstanding for the purpose of computing the percentage of outstanding common stock owned by such person, but are not deemed outstanding for the purpose of computing the percentage of common stock owned by any other person.

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**INFORMATION WITH RESPECT TO CERTAIN DIRECTORS AND
EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS**

Set forth below is certain information with respect to each director whose term continues.

Directors whose terms expire in 2014

Juan C. Aguayo, P.E., M.S.C.E., (Age 49) Mr. Aguayo has been a director of the Company since 2004 (including terms as a director of Oriental Bank) and is the Chairman of its Corporate Governance and Nominating Committee and a member of the Audit and Compliance Committee. He is President and Chief Executive Officer of DBM Group, LLC since 2010, a design-build-maintenance fully integrated service company for the delivery of institutional and industrial capital projects in Puerto Rico. He has served as the President and Chief Executive Officer of Structural Steel Works, Inc., Bayamón, Puerto Rico, a specialty construction company, since 2002, where he previously served as Executive Vice President and Chief Operating Officer. He is also President and CEO of Structural Steel Manufacturing, Inc., a fabricator of steel buildings and bridges since 1987, and of SSW Realty, Inc., an industrial real estate investment company, since 2002. Prior to his tenure at SSW Realty, Inc., Mr. Aguayo worked as Director of Construction & Development of Development Company of the Americas LLC, in Denver, Colorado, in charge of their projects portfolio in Mexico. He has also served on the Boards of Directors of several non-profit organizations, including the Board of Directors of the Associated General Contractors of America, Puerto Rico Chapter (1997 and 2003), and the Board of Trustees of the Sacred Heart University, San Juan, Puerto Rico (2006 to 2011).

Our Board of Directors concluded that Mr. Aguayo should serve as a director of the Company. The Board based its conclusion on his specialized knowledge and experience, and his success as a CEO, in the construction and manufacturing industries and his participation in business associations, which may be valuable towards identifying and evaluating business risks and opportunities for the Company.

Pablo I. Altieri, M.D. (Age 69) Dr. Altieri has been a director of the Company since 1990 (including terms as a director of Oriental Bank) and is a member of its Corporate Governance and Nominating Committee and its Compensation Committee. He is a cardiologist and a Professor of Medicine and Physiology at the University of Puerto Rico, School of Medicine. Dr. Altieri is a member of the Board of Directors of TUTV (PR Broadcasting Studios), and Director of the Board of the Catastrophic Fund of Puerto Rico. He is also a member of the American Heart Association, American College of Cardiology, European Society of Cardiology, American Federation of Clinical Research, Muscle Society, and American Electrophysiology Society.

	Three months ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net loss	\$ (170,600)	\$ (269,164)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,652	9,963
Deferred rent	(1,524)	(70)
Changes in operating assets and liabilities:		
Due from related party		137,091
Prepaid expenses and other current assets	(25,989)	(22,622)
Other assets	982	1,845
Accounts payable	53,492	44,111
Accrued patent and research costs		(285,859)
Accrued expenses and other current liabilities	(18,627)	(47,909)
Net cash used in operating activities	(153,614)	(432,614)
Cash flows from financing activities:		
Proceeds from related party loan	30,000	
Principal payments on capital lease obligations	(6,189)	(5,301)

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Net cash provided by (used in) financing activities	23,811	(5,301)
Net change in cash and cash equivalents	(129,803)	(437,915)
Cash and cash equivalents at beginning of period	153,046	1,298,266
Cash and cash equivalents at end of period	\$ 23,243	\$ 860,351

The accompanying notes are an integral part of the condensed consolidated financial statements.

PALIGENT INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 1 BASIS OF PRESENTATION

Interim Financial Statements

The condensed consolidated financial statements included herein have been prepared by Paligent Inc. (Paligent or the Company) pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial position of the Company at March 31, 2003 and the results of its operations and its cash flows for the interim periods ended March 31, 2003 and 2002. The condensed consolidated balance sheet as of December 31, 2002 was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting standards for interim financial statements and should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 2002. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year or any other interim period.

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. The Company has incurred losses from operations since inception, has working capital and stockholders' deficits and has limited cash to fund operations in 2003. Since disposing of its Internet assets and related operations in December 2000, the Company has significantly reduced its operating costs. During April 2003, the Company received \$500,000 in connection with the amendment of its license agreement with Indevus Pharmaceuticals, Inc. However, at its present rate of spending, the Company expects that its existing funds and interest income will only be sufficient to fund the Company's current operations into the fourth quarter of 2003. While the Company evaluates strategic alternatives, including potential business investments and related financing, the Company's rate of spending could vary from its current estimate. No assurance can be given that the Company will be able to complete a business investment or that such financing will be available to the Company. If the Company is unable to generate significant revenue from acquired operations, obtain additional revenue from its existing out-licensing of its biotechnology assets, secure additional financing for its present operations or secure sufficient financing for operations resulting from acquisition or merger, the Company will experience a cash shortage in the fourth quarter of 2003, the effect of which could result in the discontinuance of operations. If additional funds are raised by issuing equity securities, further dilution to existing stockholders will result and future investors may be granted rights superior to those of existing stockholders.

These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation.

NOTE 2 BASIC AND DILUTED NET LOSS PER SHARE

Basic earnings per share (EPS) excludes dilution and is computed by dividing (loss) income applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is based upon the weighted average number of common shares outstanding during the period plus the additional weighted average common equivalent shares during the period. Common equivalent shares are not included in the per share calculations where the effect of their inclusion would be anti-dilutive. Common equivalent shares result from the assumed exercises of outstanding stock options and warrants, the proceeds of which are then assumed to have been used to repurchase outstanding shares of common stock (the treasury stock method).

For the three months ended March 31, 2003 and 2002, the Company had stock options and warrants outstanding that were anti-dilutive. These securities could potentially dilute basic EPS in the future and were not included in the computation of diluted EPS because to do so would have been anti-dilutive for the periods presented. Consequently, there were no differences between basic and diluted EPS for these periods.

NOTE 3 RELATED PARTIES

On March 3, 2003, Richard J. Kurtz, a director and shareholder of the Company, loaned \$30,000 to the Company to fund its current operations. In April 2003, the Company s repaid this loan to Mr. Kurtz from proceeds received under the PRO 2000 Amendment (see Note 5).

NOTE 4 RECENT ACCOUNTING PRONOUNCEMENTS

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (FAS) No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FAS 123 (FAS 148). This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, FAS 148 amends the disclosure requirements of FAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of FAS 148 are effective for fiscal years ending after December 15, 2002 and the interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The Company adopted FAS 148 during the fourth quarter ended December 31, 2002. The adoption of FAS 148 did not have a material impact on the Company s results of operations or financial position and the additional required disclosures are provided below.

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized for its stock option plan. Had compensation cost for the Company s stock-based compensation plan been determined based on the fair value at the grant dates for awards under those plans consistent with FAS 123, the Company s net loss and loss per share would have been adjusted to the pro forma amounts indicated below:

	Three months ended March 31,	
	2003	2002
Net loss - as reported	\$ 170,600	\$ 269,164
Adjustment to net loss for proforma stock-based compensation expense	17,030	32,935
Net loss - pro forma	\$ 187,630	\$ 302,099
Basic and diluted net loss per common share - as reported	\$ 0.01	\$ 0.01
Basic and diluted net loss per common share - pro forma	\$ 0.01	\$ 0.01

NOTE 5 SUBSEQUENT EVENT

On April 11, 2003, the Company and Indevus Pharmaceuticals, Inc. (Indevus) executed an Amendment (the PRO 2000 Amendment) to the license agreement dated June 14, 2000 (the PRO 2000 License). Under the terms of the PRO 2000 License, Indevus holds the exclusive, worldwide rights to develop and market PRO 2000 Gel. Upon execution of the PRO 2000 Amendment, the Company received \$500,000 from Indevus in exchange for (i) the elimination of the \$500,000 milestone payment that was to be paid under the PRO 2000 License upon the initiation of a Phase II safety trial (planned to begin later in 2003); and (ii) a second option, upon which exercise the Company would receive an additional payment of \$500,000, to acquire all of the Company's rights, title and interest to PRO 2000 Gel as set forth in the PRO 2000 License, provided that such second option is exercised prior to September 30, 2004.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Note Regarding Forward-Looking Statements

Statements in this Form 10-Q that are not statements or descriptions of historical facts are forward-looking statements under Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 and are subject to numerous risks and uncertainties. These forward-looking statements can generally be identified by the use of such terms as anticipate, believe, continue, expect, may, should, or similar variations or the negative thereof. These forward looking statements involve risks and uncertainties, many of which are out of the Company's control and which may affect its future business plans. Factors that may affect the Company's future business plans include: (i) its ability to identify, complete and integrate an acquisition of an operating business; (ii) the viability of the Company's business strategy in connection with an acquisition and its ability to implement such strategy; (iii) its ability to secure financing for its current and potential future operations; and (iv) its ability to generate revenues sufficient to meet its operating costs. Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. In addition, the Company's business, operations and financial condition are subject to the risks, uncertainties and assumptions that are described in the Company's reports and statements filed from time to time with the Securities and Exchange Commission. Should one or more of those risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those discussed herein. The descriptions of the risks, uncertainties and assumptions to which the Company's business, operations and financial condition are subject are as of the date of this report. The Company assumes no obligation to update any such forward-looking statements.

Overview

Paligent Inc., together with its subsidiaries (collectively, Paligent or the Company), is presently seeking business opportunities to maximize value for its shareholders. Since 2001, the Company has been evaluating various strategic alternatives, including acquisitions of new operating businesses and technologies as well as potential merger opportunities.

From its inception in 1985 through 1999, Paligent operated as a biotechnology company engaged in the development and commercialization of novel drugs with a product portfolio focused on infectious diseases and oncology. During 1999, the Company's principal efforts were devoted to drug development, human clinical trials and partnership commercialization focusing on two biotechnology compounds, PRO 2000 Gel and O6-Benzylguanidine (O6-BG). Beginning in fiscal 2000, the Company pursued an Internet strategy that focused on promoting and facilitating transactions between consumers, funeral industry service providers and financing institutions. During fiscal 2000, the Company also closed its research facilities and out-licensed PRO 2000 Gel and O6-BG. Under the terms of the out-licensing agreements, the Company retains certain future rights, including the receipt of payments based on the achievement of certain milestones as well as royalties from commercial sales, if any. After a sustained period of deterioration in the Internet and technology sectors and related capital markets, the Company decided, in the fourth quarter of 2000, to discontinue the pursuit of its Internet strategy. Shortly thereafter, the Company entered into an agreement to sell all of its Web-based assets and Internet operations and ceased its Internet activities.

Results of Operations

From inception through March 31, 2003, the Company has generated no revenues from product sales or services and has not been profitable. As the Company evaluates various strategic alternatives in its quest for new growth areas that will maximize value to existing stockholders, the Company expects to incur additional losses.

Three months ended March 31, 2003 as compared to the three months ended March 31, 2002

During the three months ended March 31, 2003, the Company reported a net loss of \$171,000, or \$0.01 per share, as compared to a net loss of \$269,000, or \$0.01 per share, in the comparable period in 2002.

The Company's total revenue, which is derived from interest income, was \$113 for the three months ended March 31, 2003, as compared to \$4,000 for the comparable period in 2002. The reduction in interest income is attributable to a decrease in average cash balances available for investment during the respective periods.

The Company's total operating expenses, consisting of general and administrative costs, were \$171,000 for the quarter ended March 31, 2003 as compared to \$273,000 for the comparable quarter in 2002, a decrease of \$102,000. The decrease in general and administrative costs in the first quarter of fiscal 2003 primarily comprises reductions in professional fees, including non-recurring legal fees incurred in fiscal 2002 that were attributable to the resolution of the patent licensing agreement relating to O6-BG.

Liquidity and Capital Resources

At March 31, 2003, the Company's aggregate cash and cash equivalents were \$23,000, a net decrease of \$130,000 from the end of the prior year. This decrease comprises \$154,000 and \$6,000, respectively, of cash used to fund operations and payments on capital leases. During the current quarter, the Company received \$30,000 of loan proceeds from Richard J. Kurtz, a director and shareholder of the Company. This loan was repaid in April 2003.

In April 2003, the Company and Indevus Pharmaceuticals, Inc. executed an Amendment (the PRO 2000 Amendment) to the license agreement dated June 14, 2000. Upon execution of the PRO 2000 Amendment, the Company received \$500,000 from Indevus.

The Company has incurred losses since inception, has working capital and stockholders' deficits and has limited cash to fund operations in 2003. Since disposing of its Internet assets and related operations in December 2000, the Company has significantly reduced its operating costs. Although the Company received \$500,000 in connection with the PRO 2000 Amendment, the Company expects, at its present rate of spending, that its existing funds and interest income will only be sufficient to fund the Company's current operations into the fourth quarter of 2003. While the Company evaluates strategic alternatives, including potential business investments and related financing, the Company's rate of spending

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could vary from its current estimate. No assurance can be given that the Company will be able to complete a business investment or that such financing will be available to the Company. If the Company is unable to generate significant revenue from acquired operations, obtain additional revenue from its existing out-licensing of its biotechnology assets, secure additional financing for its present operations or secure sufficient financing for operations resulting from acquisition or merger, the Company will experience a cash shortage in the fourth quarter of 2003, the effect of which could result in the discontinuance of operations. If additional funds are raised by issuing equity securities, further dilution to existing stockholders will result and future investors may be granted rights superior to those of existing stockholders.

These circumstances raise substantial doubt about the Company's ability to continue as a going concern.

The Company's expectations regarding its rate of spending and the sufficiency of its cash resources over future periods are forward-looking statements. The rate of spending and sufficiency of such resources will be affected by numerous factors including the rate of planned and unplanned expenditures by the Company and the timing of payments received, if any, under the sublicenses of the biotechnology assets.

Impact of Recently Issued Accounting Standards

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. (FAS) 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FAS 123 (FAS 148). This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, FAS 148 amends the disclosure requirements of FAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of FAS 148 are effective for fiscal years ending after December 15, 2002 and the interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The Company adopted FAS 148 during the fourth quarter ended December 31, 2002. The adoption of FAS 148 did not have a material impact on the Company's results of operations or financial position and the additional required disclosures have been provided in Note 4 to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

In January 1997, the Securities and Exchange Commission issued Financial Reporting Release 48 (FRR 48), Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments, and Disclosure of Quantitative and Qualitative Information About Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments and Derivative Commodity Instruments. FRR 48 required disclosure of qualitative and quantitative information about market risk inherent in derivative financial instruments, other financial instruments, and derivative commodity instruments beyond those already required under generally accepted accounting principles. The Company is not a party to any of the instruments discussed in FRR 48 and considers its market risk to be minimal.

Item 4. Controls and Procedures

As of a date within 90 days prior to the filing of this Quarterly Report on Form 10-Q (the Evaluation Date), an evaluation was performed under the supervision of the Company s Chief Executive Officer and principal financial officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Company s Chief Executive Officer and principal financial officer concluded that the Company s disclosure controls and procedures were effective as of the Evaluation Date. There have been no significant changes in the Company s internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

99.1

Certification of CEO and principal financial officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.

(b) Reports on Form 8-K.

Current Report on Form 8-K dated April 11, 2003 filed with the Securities and Exchange Commission on April 18, 2003 relating to the Amendment to the License Agreement between the Company and Indevus Pharmaceuticals, Inc. dated as of April 10, 2003.

SIGNATURES

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

PALIGENT INC.
(Registrant)

Date: May 19, 2003

by: /s/ Salvatore A. Bucci
Salvatore A. Bucci
President and Chief Executive Officer

CERTIFICATION

I, Salvatore A. Bucci, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PALIGENT INC.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 19, 2003

by: /s/ Salvatore A. Bucci
Salvatore A. Bucci
President and Chief Executive Officer
(Principal Financial Officer)