

Member FINRA/SIPC

Toll-Free: 561-391-5555 ♦ www.DawsonJames.com ♦ 1 North Federal Highway - Suite 500 ♦ Boca Raton, FL 33432

Adamis Pharmaceuticals (ADMP-NASDAQ)

May 21, 2020

Novartis is Out US Worlds Meds is In but Seeing Will be Believing, We Remain Neutral for Now.

Jason H. Kolbert

Head of Healthcare Research

646-465-6891

jkolbert@dawsonjames.com

Adamis reported the 1Q20, which was well below our already reduced expectations. The compounding business, in fairness, was impacted by COVID. Adamis did not break out Symjepi revenues so we assume they were not significant. What is important is that the company has now regained the rights from Novartis (NVS Not Rated) and re-licensed the product to US World Meds, which include ZIMHI (if approved). The deal total is given as \$26M based on a combination of upfront, regulatory and commercial milestones. We conclude that the deal is interesting but we are uncertain as to what revenues Adamis can realize from either product and conclude that the company is for now a “show me” story.

Investment Highlights

Novartis is Out; US World Meds is In. US WorldMeds obtained U.S. rights to commercialize and distribute SYMJEPI and ZIMHI, if approved by the FDA, in exchange for an upfront payment and potential regulatory and commercial milestones totaling up to \$26 million. Additionally, after deducting the supply price and certain other deductions, including an allocation for US WorldMeds sales and distribution expenses from net sales of the products, Adamis and US WorldMeds will share equally in the net profits, as defined in the agreement. Adamis will be responsible for supplying the products to US WorldMeds at a price based upon cost.

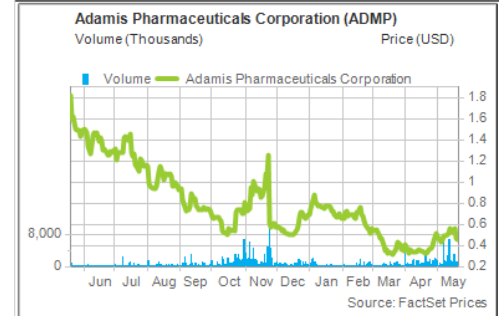
1Q20 Numbers Decline. Revenues of \$4.6M were well below our estimate of \$8M, and COGS at \$3.7 was above our estimate of \$1.1M. This resulted in a net loss of \$7.1M, plus an impairment charge of \$3.1M, for a total of \$10.2M. The company closed the quarter with \$10M in cash. Depending on payments from US World Meds, the company may need to raise additional cash, and we could still see a reverse stock split and additional dilution ahead. As such, we remain on the sidelines with a Neutral rating.

Adamis, for Now, is a “Show Me” Story. The fact that Novartis couldn’t get traction with Symjepi is concerning. As analysts, we need to see ZIMHI receive FDA approval and Symjepi sales build to become more constructive on the company.

Valuation: As a Neutral rated stock, we no longer have a price target. With that said, we do still have our product models, which run out to the year 2030. For Symjepi, an approved product, we still use a high 30% discount rate in our valuation metrics. As discussed in the bullets above, we continue to cut our Symjepi revenues (now flat at just 2% of the marketplace). Our valuation models (and target) are derived from an equal-weighted average of free cash flow (FCFF), discounted EPS (EPS), and sum-of-the-parts (SOP) models, all discounted at a rate of 30%.

Risks: Reverse stock split and additional shares authorized. Partnership risks, Commercialization risks, Financial risks, Clinical and regulatory risks, and Legal and intellectual property risk.

Current Price	\$0.47		
Price Target	NA		
Estimates	F2019E	F2020E	F2021E
Expenses (\$000s)	\$ 51,142	\$ 46,548	\$ 49,165
1Q March	\$ 13,843	\$ 11,778	\$ 11,308
2Q June	\$ 13,512	\$ 10,837	\$ 11,800
3Q September	\$ 12,608	\$ 11,740	\$ 12,783
4Q December	\$ 11,179	\$ 12,192	\$ 13,275
	F2019E	F2020E	F2021E
EPS (diluted)	\$ (0.57)	\$ (0.18)	\$ (0.04)
1Q March	\$ (0.19)	\$ (0.12)	\$ (0.02)
2Q June	\$ (0.17)	\$ (0.04)	\$ (0.02)
3Q September	\$ (0.12)	\$ 0.02	\$ 0.03
4Q December	\$ (0.09)	\$ (0.04)	\$ (0.02)
EBITDA/Share	(\$0.55)	(\$0.14)	(\$0.04)
EV/EBITDA (x)	0.0	0.0	0.0
Stock Data			
52-Week Range	\$0.27	-	\$1.64
Shares Outstanding (mil.)	73.7		
Market Capitalization (mil.)	\$35		
Enterprise Value (mil.)	\$28		
Debt to Capital	7%		
Book Value/Share	\$1.18		
Price/Book	0.4		
Average Three Months Trading Volume (K)	420		
Insider Ownership	2.0%		
Institutional Ownership	15.3%		
Short interest (mil.)	2.5%		
Dividend / Yield	\$0.00/0.0%		



We Continue to Revise Our Product Modeling Assumptions:

1. We initially based our market share estimates for Adamis' products on multiple assumptions around pricing and differentiating factors such as form factor (size and reliability) as well as marketing acumen of Novartis, which has now changed with the company's new partner. Recall that in November of last year we reduced these assumptions and again in January and February. Our share assumptions are now flat at just 1% of the market with no growth. Our Symjepi model is under review as we are not clear on the revenues it could contribute to Adamis with the new partner. In this sense, seeing will be believing.
2. We include \$10M in future milestone payments for Symjepi and Naloxone.
3. We model the pharmacy compounding business based on increased product focus and geographic expansion. We forecast its annual growth rate to reach 30% until the year 2022, where the growth rate slightly decreases to 10% up to the year 2030.
4. We expect APC-1000 (beclomethasone MDI), and APC-4000 (fluticasone DPI) could reach the market but we are unsure of timing and as such we do not include any revenues from these or any other pipeline products.

Exhibit 1. Product Models

Epinephrine Pre-filled Syringe (PFS)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
U.S. population	387,434,206	400,219,535	413,426,779	427,069,863	441,163,168	455,721,553	470,760,364	486,295,456	502,343,206	518,920,532	536,044,910
Patients with anaphylaxis (1.6% of U.S. population)	6,198,947	6,403,513	6,614,828	6,833,118	7,058,611	7,291,545	7,532,166	7,780,727	8,037,491	8,302,729	8,576,719
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	4,959,158	5,122,810	5,291,863	5,466,494	5,646,889	5,833,236	6,025,733	6,224,582	6,429,993	6,642,183	6,861,375
Market penetration	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total eligible patients	49,592	51,228	52,919	54,665	56,469	58,332	60,257	62,246	64,300	66,422	68,614
Packs needed per patient/yr (PFS sold in 2 unit per pack)	2	2	2	2	2	2	2	2	2	2	2
Price per pack	\$ 250	\$ 238	\$ 235	\$ 233	\$ 230	\$ 228	\$ 226	\$ 224	\$ 221	\$ 219	\$ 217
Change in price	-5%	-13%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Sales (\$000)	\$ 12,398	\$ 12,167	\$ 12,442	\$ 12,725	\$ 13,013	\$ 13,308	\$ 13,610	\$ 13,918	\$ 14,234	\$ 14,556	\$ 14,886
Risk adjustment	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Revenue (\$000)	\$ 4,339	\$ 4,258	\$ 4,355	\$ 4,454	\$ 4,555	\$ 4,658	\$ 4,763	\$ 4,871	\$ 4,982	\$ 5,095	\$ 5,210
Naloxone Pre-filled Syringe (PFS)											
Over-dose Population - Rescues	196,020	194,060	192,119	190,198	188,296	186,413	184,549	182,703	180,876	179,068	177,277
Sales for Preventions	60,500	66,550	73,205	80,526	88,578	97,436	107,179	117,897	129,687	142,656	156,921
Market penetration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-
Packs needed per patient/yr (PFS sold in 2 unit per pack)	2	2	2	2	2	2	2	2	2	2	2
Price per pack	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997
Change in price	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Cost per treatment	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994
Sales (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Revenue (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)											
U.S. population	387,434,206	400,219,535	413,426,779	427,069,863	441,163,168	455,721,553	470,760,364	486,295,456	502,343,206	518,920,532	536,044,910
Patients with asthma (8% of U.S. population)	30,994,736	32,017,563	33,074,142	34,165,589	35,293,053	36,457,724	37,660,829	38,903,636	40,187,457	41,513,643	42,883,593
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	24,795,789	25,614,050	26,459,314	27,332,471	28,234,443	29,166,179	30,128,663	31,122,909	32,149,985	33,210,914	34,306,874
Market penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-
Estimate price per patient/year (\$100/month)	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,351	\$ 1,378	\$ 1,406	\$ 1,434	\$ 1,463	\$ 1,492	\$ 1,522	\$ 1,552
Change in price	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Sales (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)											
U.S. population	387,434,206	400,219,535	413,426,779	427,069,863	441,163,168	455,721,553	470,760,364	486,295,456	502,343,206	518,920,532	536,044,910
Patients with asthma (8% of U.S. population)	30,994,736	32,017,563	33,074,142	34,165,589	35,293,053	36,457,724	37,660,829	38,903,636	40,187,457	41,513,643	42,883,593
Patients with moderate asthma (46% of asthma patient)	14,257,579	14,728,079	15,214,105	15,716,171	16,234,805	16,770,553	17,323,981	17,895,673	18,486,230	19,096,276	19,726,453
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	11,406,063	11,782,463	12,171,284	12,572,937	12,987,844	13,416,443	13,859,185	14,316,538	14,788,984	15,277,020	15,781,162
Market penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-
Estimate price per patient/year	\$ 1,433	\$ 1,461	\$ 1,491	\$ 1,520	\$ 1,551	\$ 1,582	\$ 1,613	\$ 1,646	\$ 1,679	\$ 1,712	\$ 1,746
Change in price	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Sales (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-3000 Tadalafil (Erectile Dysfunction)											
U.S. male population	165,573,862	168,223,044	170,914,613	173,649,247	176,427,635	179,250,477	182,118,484	185,032,380	187,992,898	191,000,785	194,056,797
Patients with erectile dysfunction (52% of U.S. male population)	86,098,408	87,475,983	88,875,599	90,297,608	91,742,370	93,210,248	94,701,612	96,216,838	97,756,307	99,320,408	100,909,535
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	68,878,727	69,980,786	71,100,479	72,238,087	73,393,896	74,568,198	75,761,290	76,973,470	78,205,046	79,456,328	80,727,628
Market penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-
Estimate price per patient/year	\$ 1,248	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,351	\$ 1,378	\$ 1,406	\$ 1,434	\$ 1,463	\$ 1,492	\$ 1,522
Change in price	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Sales (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Summary (\$000)											
Epinephrine Pre-filled Syringe (PFS)	\$ 4,339	\$ 4,258	\$ 4,355	\$ 4,454	\$ 4,555	\$ 4,658	\$ 4,763	\$ 4,871	\$ 4,982	\$ 5,095	\$ 5,210
Naloxone Pre-filled Syringe (PFS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-3000 Tadalafil (Erectile Dysfunction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pharmaceutical Compounding Business	\$ 21,663	\$ 28,162	\$ 36,610	\$ 45,763	\$ 50,339	\$ 55,373	\$ 60,911	\$ 67,002	\$ 73,702	\$ 81,072	\$ 89,179
Total Revenue (\$000)	\$ 26,002	\$ 32,420	\$ 40,965	\$ 50,217	\$ 54,894	\$ 60,031	\$ 65,674	\$ 71,873	\$ 78,684	\$ 86,167	\$ 94,390

Source: Dawson James

Risk Analysis

In addition to the typical risks associated with development stage specialty pharmaceutical companies, potential risks specific to Adamis are as follows:

Partnership risk. While Adamis has a partnership agreement with Sandoz to market Symjepi, such agreements are subject to disagreements and disputes. Revenue results may not materialize. The company may make agreements with partners for additional products, but there can be no assurances that the company will be able to secure favorable partnerships.

Commercial risk. There are no assurances that the company will be able to achieve significant sales, market share, or become profitable.

Compliance Risk. The company may reverse the stock to regain listing compliance. The company may also authorize additional shares in anticipation of raising future capital.

Clinical and regulatory risk. Lead products need to complete clinical trials. Trials may not produce the results expected from previous research or be sufficient for regulatory approval.

Financial risk. The company may need to raise capital in the marketplace, and there can be no assurances that the company will be able to successfully raise capital and or do so, at favorable terms.

Legal and intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the company may infringe on third parties patents.

Exhibit 2. Income Statement

Adamis Pharmaceuticals Corporation: Income Statement (\$000)																	
ADMP: YE December	2018A	2019A	1Q20A	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Symjepi Gross revenues (not included in total product sales)*		670	400	1,488	1,612	1,674	6,199	6,083	6,221	6,362	6,507	6,654	6,805	6,959	7,117	7,278	7,443
Naloxone Gross revenues (not included in total product sales)*			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)			0	0	0	0	-	-	-	-	-	-	-	-	-	-	-
APC-8000 Tadalafil (Erectile Dysfunction)			0	0	0	0	-	-	-	-	-	-	-	-	-	-	-
Pharmaceutical Compounding business	15,087	22,113	4,463	6,899	7,474	7,762	28,747	37,371	48,582	60,727	66,800	73,480	80,828	88,910	97,802	107,582	118,340
Total Product Sales *	15,087	22,783	4,463	8,387	9,086	9,435	34,945	43,454	54,803	67,089	73,306	80,134	87,633	95,870	104,918	114,860	125,783
Royalty Revenue on Symjepi & Naloxone*	-	335	200	744	806	837	2,587	3,042	3,111	3,181	3,253	3,327	3,402	3,480	3,558	3,639	3,722
% Royalty (slides on Commercial levels)	#DIV/0!	50%	50%	50%	50%	50%	42%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Symjepi / Naloxone Milestones	-	-	-	-	5,000	-	5,000	5,000	-	-	-	-	-	-	-	-	-
Product Sales & Royalties & Milestones	15,087	22,448	4,663	7,643	13,280	8,598	34,184	45,412	51,692	63,908	70,053	76,807	84,230	92,390	101,360	111,221	122,061
Expenses																	
Cost of Goods Sold	9,798	15,479	3,687	1,844	1,997	2,074	9,603	9,647	12,456	15,500	17,025	18,703	20,547	22,576	24,806	27,259	29,957
%COGS	65%	68%	83%	22%	22%	22%	27%	22%	23%	23%	23%	23%	23%	24%	24%	24%	24%
Research and Development	18,804	10,376	2,037	2,864	3,102	3,222	11,932	13,722	15,781	18,148	20,870	24,000	27,600	31,740	36,501	41,977	48,273
%R&D	125%	46%	46%	34%	34%	34%	34%	32%	29%	27%	28%	30%	31%	33%	35%	37%	38%
General and Administrative	25,948	25,288	6,054	6,130	6,641	6,896	25,540	25,796	26,054	26,314	26,577	26,843	27,112	27,383	27,657	27,933	28,213
%SG&A	48%	49%	51%	57%	57%	57%	54%	52%	48%	44%	41%	39%	36%	34%	31%	29%	27%
Total expenses	54,550	51,142	11,778	10,837	11,740	12,192	47,075	49,165	54,291	59,962	64,473	69,546	75,259	81,699	88,964	97,169	106,443
Operating income (Loss)	(39,464)	(29,351)	(7,115)	(3,194)	1,540	(3,594)	(12,363)	(3,753)	(2,599)	3,946	5,580	7,261	8,971	10,691	12,396	14,052	15,619
Interest expense	(158)	(123)	(38)														
Interest Income	245	176	23														
Gain/Loss on extinguishment of debt		(322)															
Change in fair value of derivative liabilities																	
Change in fair value of conversion feature liability																	
Change in fair value of warrants																	
Impairment Expense			(3,143)														
Total other income	-	(322)	(3,143)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(39,376)	(29,298)	(10,274)	(3,194)	1,540	(3,594)	(12,363)	(3,753)	(2,599)	3,946	5,580	7,261	8,971	10,691	12,396	14,052	15,619
Discontinued operations																	
Write down of discontinued operations receivable																	
Loss from continued operations																	
Income Tax Benefit (Provision)	369	(9)	-	(160)	77	(180)	(262)	(375)	(312)	710	1,116	1,743	2,153	2,566	3,471	4,215	5,310
Tax Rate	0%	0%	5%	5%	5%	5%	2%	10%	12%	18%	20%	24%	24%	24%	28%	30%	34%
GAAP Net Income (loss)	(39,007)	(29,307)	(10,274)	(3,035)	1,463	(3,414)	(12,101)	(3,377)	(2,287)	3,236	4,464	5,518	6,818	8,125	8,925	9,836	10,308
Deemed Dividend on Preferred Stock																	
GAAP-EPS	(1.00)	(0.55)	(0.15)	(0.05)	0.02	(0.05)	(0.18)	(0.05)	(0.03)	0.05	0.07	0.08	0.10	0.12	0.13	0.14	0.15
GAAP EPS (dil)	(1.00)	(0.55)	(0.12)	(0.04)	0.02	(0.04)	(0.14)	(0.04)	(0.03)	0.04	0.05	0.06	0.07	0.08	0.08	0.09	0.09
Wgtd Avg Shrs (Bas) - '000s	39,085	53,263	66,500	66,566	66,633	66,699	66,600	66,866	67,134	67,403	67,673	67,944	68,216	68,490	68,764	69,040	69,316
Wgtd Avg Shrs (Dil) - '000s	39,085	53,304	82,220	83,042	83,873	84,711	83,462	85,991	88,596	91,281	94,047	96,896	99,832	102,857	105,974	109,185	112,494

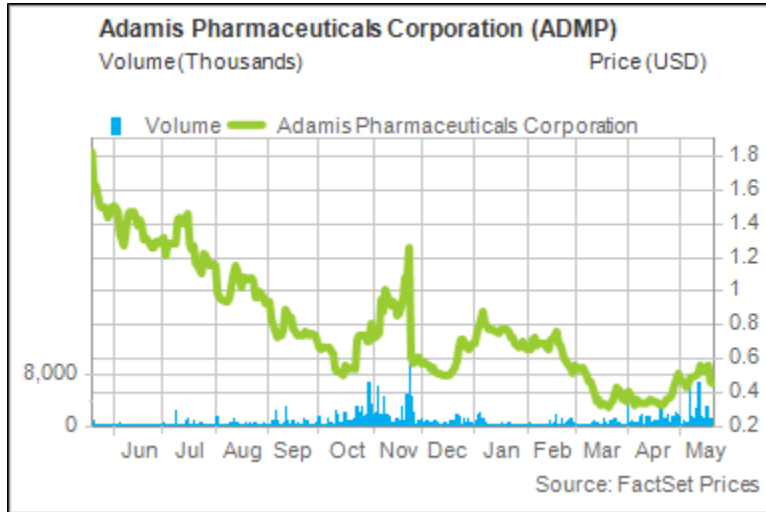
Source: Dawson James estimates.

Companies mentioned in this report:

Novartis (NVS): Not Rated

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – July 2, 2019 – Price Target \$5.00
- Update – Buy – August 13, 2019 – Price Target \$4.00
- Update – Buy – August 28, 2019 – Price Target \$4.00
- Update – Buy – November 26, 2019 – Price Target lowered from \$4.00 to \$1.00
- Rating Change – Neutral – February 27, 2020 – Rating Lowered from Buy to Neutral
- Update – Neutral – April 1, 2020 – Price Target NA
- Update – Neutral – May 21, 2020 – Price Target NA

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has NOT engaged in investment banking relationships with ADMP in the prior twelve months, as a manager or co-manager of a public offering and has NOT received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has received other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of April 30, 2020, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "STOCK VALUATION" and "RISK ANALYSIS" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Ratings Definitions:

- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	21	88%	3	14%
Market Perform (Neutral)	3	13%	1	33%
Market Underperform (Sell)	0	0%	0	0%
Total	24	100%	4	17%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.