PHOENIX TECHNOLOGIES LTD
Form DEFM14A
September 22, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement.

o Confidential, for use of the Commission Only (as Permitted by Rule 14a-6(e)(2)).

þ Definitive Proxy Statement.

o Definitive Additional Materials.

o Soliciting Material Pursuant to § 240.14a-12.

PHOENIX TECHNOLOGIES LTD.
(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):
o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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915 Murphy Ranch Road
Milpitas, CA 95035

September 22, 2010

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Phoenix Technologies Ltd. (the Company) to be held on October 25, 2010, at 10:00 a.m., local time, at 915 Murphy Ranch Road, Milpitas, CA 95035.

At the meeting, you will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger (the Merger Agreement), dated as of August 17, 2010, by and among the Company, Pharaoh Acquisition Corp., a Delaware corporation (Parent) and Pharaoh Merger Sub Corp., a Delaware corporation and a wholly-owned subsidiary of Parent (Merger Sub), each an affiliate of Marlin Equity Partners, and, solely for purposes of providing a guarantee of the obligations of the Parent and Merger Sub, Marlin Equity II, L.P., a Delaware limited partnership (Marlin II) and Marlin Equity III, L.P., a Delaware limited partnership (Marlin III).

If our stockholders adopt the Merger Agreement and the merger is completed, you will be entitled to receive $3.85 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own immediately prior to completion of the merger. Upon completion of the merger, the Company will become a wholly-owned subsidiary of Parent and an indirect subsidiary of Marlin III.

Our board of directors has unanimously approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement and determined that the merger is fair and advisable to, and in the best interests of, the Company and its stockholders. **Accordingly, our board of directors unanimously recommends that you vote FOR the adoption of the Merger Agreement.**

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the enclosed prepaid envelope, or submit your proxy through the Internet or by telephone by following the instructions described in the enclosed proxy statement. If you have Internet access, we encourage you to record your vote through the Internet.

The enclosed proxy statement provides you with information about the special meeting, the Merger Agreement, the merger and other related matters. A copy of the Merger Agreement is attached as Annex A to the proxy statement. We encourage you to read the proxy statement and the Merger Agreement carefully and in their entirety prior to voting your shares.

On behalf of our board of directors, I thank you for your support and urge you to vote in favor of the adoption of the Merger Agreement.

Sincerely,

Tom Lacey
Chief Executive Officer

The proxy statement is dated September 22, 2010, and is first being mailed to stockholders of the Company on or about September 22, 2010

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held on OCTOBER 25, 2010

TO THE STOCKHOLDERS OF PHOENIX TECHNOLOGIES LTD.:

Notice is hereby given that a special meeting of the stockholders of Phoenix Technologies Ltd., a Delaware corporation (the Company), will be held on October 25, 2010, at 10:00 a.m., local time, at 915 Murphy Ranch Road, Milpitas, CA 95035, for the following purposes:

1. to consider and vote on a proposal to adopt the Agreement and Plan of Merger (the Merger Agreement), dated as of August 17, 2010, by and among the Company, Pharaoh Acquisition Corp. (Parent) and Pharaoh Merger Sub Corp., a wholly-owned subsidiary of Parent (Merger Sub), each an affiliate of Marlin Equity Partners, and solely for purposes of providing a guarantee of the obligations of the Parent and Merger Sub, Marlin Equity II, L.P. (Marlin II) and Marlin Equity III, L.P. (Marlin III), pursuant to which each share of the Company s common stock outstanding at the effective time of the merger will be converted into the right to receive $3.85 in cash, and the Company will become a wholly-owned subsidiary of Parent and indirect subsidiary of Marlin III;

2. to consider and vote on a proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement.

Our board of directors has fixed the close of business on September 15, 2010 as the record date for the determination of stockholders entitled to notice of, and to vote at, this special meeting and any adjournment thereof. Only holders of the Company s common stock at the close of business on the record date are entitled to vote at the special meeting.

Our board of directors has unanimously approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement and determined that the merger is fair and advisable to, and in the best interests of, the Company and its stockholders.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

Your vote is very important, regardless of the number of shares you own. The adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock. **If you abstain or do not vote on the adoption of the Merger Agreement, it will have the same effect as a vote by you against the adoption of the Merger Agreement.** Approval of the proposal to adjourn the special meeting, if necessary, to solicit additional proxies requires the affirmative vote of a majority of the shares of our common stock represented and voting at the special meeting.

Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the enclosed prepaid envelope, or submit your proxy through the Internet or by telephone. If you have Internet access, we encourage you to submit your proxy through the Internet. Properly executed proxy cards with no instructions indicated on the proxy card will be voted **FOR** the adoption of the Merger Agreement.

If your shares are held in street name, which means through a brokerage firm, bank or other nominee, you should instruct your broker, bank or other nominee how to vote your shares using the voting instruction form furnished by your broker, bank or other nominee. If you do not instruct your broker, bank or other nominee how to vote, your shares will not be voted on any proposal on which your broker, bank or other nominee does not have discretionary authority to vote. This is called a broker non-vote. In these cases, the broker, bank or other nominee can

register your shares as being present at the meeting for the purposes of determining the presence of a quorum but will not be able to vote on matters for which specific authorization is required. **If you do not instruct**

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your broker, bank or other nominee how to vote, it will have the same effect as a vote against the adoption of the Merger Agreement, but it will not have an effect on the proposal to adjourn the special meeting.

If you attend the special meeting, you may revoke your proxy and vote in person, even if you have previously returned your proxy card or submitted your proxy through the Internet or by telephone**. If you hold your shares in street name, you must obtain a legal proxy from your broker, bank or other nominee in order to vote in person at the special meeting.** Please contact your broker, bank or other nominee for instructions on how to obtain such a legal proxy. If your shares are held by a broker, bank or other nominee, and you plan to attend the special meeting, please also bring to the special meeting this legal proxy and your statement evidencing your beneficial ownership of our common stock. Please carefully review the instructions in the enclosed proxy statement and the enclosed proxy card or the information forwarded by your broker, bank or other nominee regarding each of these options.

Stockholders who do not vote in favor of the adoption of the Merger Agreement may have the right to demand appraisal of the fair market value of their shares of our common stock, as determined by the Delaware Court of Chancery, if the merger is completed, but only if they perfect their appraisal rights and the other requirements of the Delaware General Corporation Law are satisfied. A copy of the Delaware statutory provisions relating to appraisal rights is attached as Annex D to the enclosed proxy statement, and a summary of these provisions can be found under Appraisal Rights on page 35 in the enclosed proxy statement.

The enclosed proxy statement provides you with information about the special meeting, the Merger Agreement, the merger and other related matters. A copy of the Merger Agreement is attached as Annex A to the proxy statement. We encourage you to read the proxy statement and the Merger Agreement carefully and in their entirety prior to voting your shares.

You should not send any certificates representing shares of our common stock with your proxy card. Upon completion of the merger, we will send instructions to you regarding the procedure for exchanging your stock certificates for the cash merger consideration.

By order of the Board of Directors,

Timothy Chu
Vice President, General Counsel and Secretary

Milpitas, California
September 22, 2010

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QUESTIONS & ANSWERS ABOUT THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions about the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that are important to you as a stockholder of Phoenix Technologies Ltd. Please refer to the Summary Term Sheet and the more detailed information contained elsewhere in this proxy statement, including in its annexes, all of which you should read carefully. See also Where You Can Find More Information beginning on page 54.

Throughout this proxy statement, all references to the Company, Phoenix, Phoenix Technologies, we, us, and our refer to Phoenix Technologies Ltd. and its subsidiaries, unless otherwise indicated or the context otherwise requires.

Q: Why am I receiving this document?

A: Phoenix and affiliates of Marlin Equity Partners (Marlin) have agreed to merge under the terms of a merger agreement that is described in this document. A copy of the merger agreement is attached to this document as Annex A. You should carefully read this document in its entirety.

In order for the merger to be completed, Phoenix stockholders holding a majority of the outstanding shares of its common stock must vote to adopt the merger agreement and approve the merger.

We will hold a special meeting of stockholders to seek this approval. This document contains important information about the merger and the special meeting of stockholders. The enclosed voting materials allow you to vote your shares of Phoenix common stock without attending the special meeting of stockholders.

Your vote is important. We encourage you to vote as soon as possible.

For specific information regarding the merger agreement, see The Merger Agreement beginning on page 41 of this document.

Q: What will happen in the merger?

A: The businesses of Phoenix will be acquired by Marlin in a cash merger transaction. At the closing, Phoenix will become a wholly-owned subsidiary of Marlin. As a result, shares of common stock of Phoenix will no longer be listed on any stock exchange, including The NASDAQ Global Market, or quotation system, and will be deregistered under the Securities Exchange Act of 1934, as amended.

Q: What will a Phoenix stockholder receive if the merger occurs?

A: Phoenix stockholders will receive $3.85 in cash, without interest, in exchange for each share of Phoenix common stock owned and outstanding at the effective time of the merger.

Q: What will a holder of Phoenix stock options receive if the merger occurs?

A: Phoenix stock options will vest in full and become exercisable immediately prior to the closing of the merger. Subject to certain exceptions, holders of Phoenix stock options will receive the excess, if any, of $3.85 over the per share exercise price of the stock option, for each share of Phoenix common stock subject to the stock option,

less any applicable withholding tax and without interest. See Treatment of Phoenix Capital Stock and Options beginning on page 42 of this document for a more detailed discussion of the treatment of Phoenix stock options.

Q: What will a holder of Phoenix restricted stock awards receive if the merger occurs?

A: Each of Phoenix s outstanding restricted stock awards will vest in full immediately prior to the closing of the merger. Subject to certain exceptions, holders of Phoenix restricted stock awards will receive $3.85 in cash, without interest, in exchange for each share of Phoenix common stock subject to the restricted stock awards outstanding at the effective time of the merger. See Treatment of Phoenix Capital Stock and Options beginning on page 42 of this document for a more detailed discussion of the treatment of Phoenix restricted stock awards.

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Q: Will I have appraisal rights if I dissent from the merger?

A: Yes, but only if you do not vote for the adoption of the merger agreement and file a demand for appraisal with respect to shares held continuously through the effective time of the merger and meet the other requirements of the Delaware General Corporation Law. Under the Delaware General Corporation Law, you have the right to seek appraisal of the fair market value of your shares of our common stock, as determined by the Delaware Court of Chancery, if the merger is completed, but only if (a) you do not vote in favor of adoption of the merger agreement, (b) you deliver a written demand before the vote (as described elsewhere in this proxy statement) and (c) you continuously hold through the effective time of the merger the shares for which you demand appraisal. See Appraisal Rights beginning on page 35 of this document for a more detailed discussion of appraisal rights and the text of Section 262 of the Delaware General Corporation Law attached as Annex D to this proxy statement.

Q: What vote of Phoenix stockholders is required to adopt the merger agreement and approve the merger?

A: Approval of the proposal to adopt the merger agreement and approve the merger requires the presence, in person or by proxy, of the holders of a majority of the shares of Phoenix common stock outstanding as of the record date for the special meeting, and the affirmative vote of the holders of a majority of the shares of Phoenix common stock outstanding as of the record date.

Marlin has entered into a voting agreement with Ramius LLC, which beneficially owns 5,103,500 shares of Phoenix common stock representing 14.5% of outstanding shares of Phoenix as of the record date. Under this voting agreement, Ramius LLC has agreed, among other things, to vote its shares in favor of the proposal to adopt the merger agreement and approve the merger. See Voting Agreement beginning on page 50 of this document for a more detailed discussion of the voting agreement with Ramius LLC.

Q: How does the board of directors of Phoenix recommend that I vote?

A: After careful consideration and consultation with its financial and legal advisors, Phoenix s board of directors has determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, that it is in the best interests of Phoenix and its stockholders that Phoenix enter into the merger agreement and consummate the merger, and that the merger agreement is fair to Phoenix and its stockholders. Our board of directors recommends that Phoenix stockholders vote **FOR** the proposal to adopt the merger agreement and approve the merger. See The Merger Recommendations of Phoenix s Board of Directors beginning on page 20 of this document for a more detailed discussion of the recommendation of Phoenix s board of directors.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, and consider how the merger will affect you. If you are a stockholder of record, you can ensure your shares are voted at the special meeting by completing, dating, signing and returning the enclosed proxy card in the enclosed prepaid envelope or by voting through the Internet or by telephone. If you hold your shares in street name, you can ensure that your shares are voted at the special meeting by instructing your broker, bank or other nominee how to vote, as discussed below. **DO NOT return your stock certificate(s) with your proxy card**.

Q: How do I cast my vote?

A: If you are the record owner of your shares, you may vote by:

Internet using the Internet voting instructions printed on your proxy card;

telephone using the telephone number printed on your proxy card;

signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope; or

attending the special meeting and voting in person, as more fully described below.

If you hold your shares in street name, you should follow the procedures provided by your broker, bank or other nominee.

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If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted **FOR** the adoption of the merger agreement.

Q: If my broker holds my shares in street name, will my broker vote my shares?

A: Yes, but only if you instruct your broker, bank or other nominee how to vote your shares. You should follow the procedures provided by your broker, bank or other nominee regarding the voting of your shares. If you do not provide instruction on how to vote your shares, your shares will not be voted and the effect will be the same as a vote by you against the adoption of the merger agreement, but will not have an effect on the proposal to adjourn the special meeting. We urge you to contact your broker, bank or other nominee promptly to ensure that your vote is counted.

Q: May I attend the special meeting and vote in person?

A: Yes. All stockholders as of the record date may attend the special meeting and vote in person. If your shares of our common stock are held in street name, you must obtain a legal proxy from your broker, bank or other nominee and bring your statement evidencing your beneficial ownership of our common stock in order to attend the special meeting and vote in person.

Whether or not you plan to attend the special meeting, and unless you hold your shares in street name, please submit your proxy through the Internet or by telephone or complete, date, sign and return, as promptly as possible, the enclosed proxy card in the enclosed prepaid envelope.

Q: Can I change my vote after I have delivered my proxy?

A: If you submit your proxy through the Internet or by telephone or mail, you may revoke your proxy at any time before the vote is taken at the special meeting in any of the following ways:

granting a proxy through the Internet or by telephone after the date of your original proxy and before the deadlines for voting included on your proxy card;

submitting a later-dated proxy by mail before your earlier-dated proxy is voted at the special meeting;

giving written notice of the revocation of your proxy to our Corporate Secretary at 915 Murphy Ranch Road, Milpitas, CA 95035, that is actually received by our Corporate Secretary prior to the special meeting; or

voting in person at the special meeting.

Your attendance at the special meeting alone does not automatically revoke your proxy. If you have instructed your broker, bank or other nominee to vote your shares, the above-described options for revoking your proxy do not apply. Instead, you must follow the directions provided by your broker, bank or other nominee to change your vote.

Q: Do any of Phoenix s directors or officers have interests in the merger that may differ from those of Phoenix stockholders?

A: Yes, you should read The Merger Interests of Phoenix Directors and Executive Officers in the Merger beginning on page 29 of this document for a more detailed discussion of these interests.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed you will receive written instructions from the exchange agent on how to exchange your stock certificates for the cash merger consideration. Please do not send in your stock certificates with your proxy.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as practicable after the special meeting of stockholders and currently expect to complete the merger in the fourth calendar quarter of 2010. However, we cannot predict the exact timing of the completion of the merger.

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Q: What are the material U.S. federal income tax consequences of the merger?

A: If you are a U.S. holder, the receipt of cash by you in exchange for your shares of Phoenix common stock pursuant to the merger generally will be a taxable transaction for U.S. federal income tax purposes. If you are a non-U.S. holder, the receipt of cash by you in exchange for your shares of Phoenix common stock pursuant to the merger generally will not be a taxable transaction for U.S. federal income tax purposes unless you have certain connections with the United States, but may be a taxable transaction to you under applicable foreign tax laws. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 38 of this document for a more detailed discussion of the U.S. federal income tax consequences of the merger to holders of Phoenix common stock. **The tax consequences of the merger may vary depending upon the particular circumstances of each stockholder. You should consult your own tax advisor as to the tax consequences to you of the merger, including the consequences under any applicable, state, local, foreign or other tax laws.**

Q: Who can help answer my questions?

A: If you have additional questions about the matters described in this document or how to submit your proxy, or if you need additional copies of this document, you should contact:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022
Telephone: 1-888-750-5834

or

Phoenix Technologies Ltd.
915 Murphy Ranch Road
Milpitas, CA 95035
Attention: Timothy Chu, General Counsel and Secretary
Telephone: 1-800-677-7305

You may also obtain additional information about Phoenix from documents filed with the Securities and Exchange Commission by following the instructions in the section entitled Where You Can Find More Information on page 54 of this document.

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger agreement or the transactions contemplated thereby, including the proposed merger, or passed upon the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offense.

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SUMMARY TERM SHEET

This summary term sheet highlights selected information from this document and may not contain all of the information that is important to you. Phoenix encourages you to read carefully the remainder of this document, including the attached annexes and the other documents to which we have referred you, because this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the special meeting of stockholders. See also Where You Can Find More Information on page 54 of this document. We have included references to other portions of this document to direct you to a more complete description of the topics presented in this summary.

Summary of the Merger (see pages 13 through 40 of this document)

Phoenix and affiliates of Marlin Equity Partners (Marlin) have agreed to the merger of Phoenix and Marlin under the terms of the merger agreement described in this document. We have attached the merger agreement as Annex A to this document. We encourage you to read the merger agreement carefully because it is the legal document that governs the merger and related matters.

Under the terms of the merger agreement, Pharaoh Merger Sub Corp. (Merger Sub), a wholly-owned subsidiary of Pharaoh Acquisition Corp. (Parent), will merge with and into Phoenix and the separate corporate existence of Merger Sub will cease and Phoenix will be the surviving corporation. Upon completion of the merger, Phoenix will be a wholly-owned subsidiary of Parent and an indirect subsidiary of Marlin Equity III, L.P. (Marlin III). Marlin Equity II, L.P. (Marlin II) and Marlin III have agreed to guarantee the performance of the obligations of Parent and Merger Sub under the merger agreement.

The merger is subject to customary closing conditions, including adoption of the merger agreement and approval of the merger by the stockholders of Phoenix.

Treatment of Phoenix Capital Stock and Options (see page 42 of this document)

Upon completion of the merger, the capital stock and other securities of Phoenix will be treated as follows:

Each share of Phoenix common stock outstanding immediately prior to the effective time of the merger will be canceled and shall cease to exist, and shall automatically be converted into the right to receive $3.85 in cash, without interest, upon surrender of the certificate representing such share of Phoenix common stock in the manner provided in the merger agreement;

None of the outstanding options to purchase shares of Phoenix common stock granted under the Phoenix equity plans and agreements (each, an Equity Plan) will be assumed by Parent. Rather, each of the outstanding stock options will vest in full and become exercisable immediately prior to the merger. Depending upon the terms of the applicable Equity Plan, each such vested option shall either be (i) cancelled in exchange for a cash payment per share equal to the excess, if any, of $3.85 per share over the exercise price of such stock option, (ii) exercised with the resulting shares of common stock being converted into the right to receive $3.85 per share, or (iii) cancelled upon the merger if not cashed-out or exercised in accordance with clause (i) or (ii). All payments will be paid without interest and less applicable withholding taxes. However, outstanding stock options with a per share exercise price of $3.85 or higher will be cancelled after the effective time of the merger.

Any outstanding restricted stock awards held by Phoenix employees and directors under the Equity Plans will vest in full immediately prior to the merger and be cancelled in exchange for the right to receive $3.85 in cash, without interest, less applicable withholding taxes, in connection with the merger.

Recommendations of Phoenix s Board of Directors to Stockholders (see page 12 of this document)

After careful consideration and consultation with its financial and legal advisors, our board of directors has determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, that it is in the best interests of Phoenix and its stockholders that Phoenix enter into the merger agreement and consummate the merger, and that the merger agreement is fair to Phoenix and its stockholders. Our board of directors recommends that Phoenix stockholders vote **FOR** the proposal to adopt the merger agreement.

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For the factors considered by Phoenix s board of directors in reaching its decision to approve and adopt the merger agreement and the merger, see The Merger Recommendations of Phoenix s Board of Directors beginning on page 20 of this document and The Merger Phoenix s Reasons for the Merger beginning on page 20 of this document.

Opinion of the Financial Advisor to the Company s Board of Directors (see page 22 of this document)

In connection with the evaluation of the proposed merger by Phoenix s board of directors, the board s financial advisor, RBC Capital Markets Corporation (RBC), rendered a written opinion to the board of directors on August 17, 2010 that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the merger consideration of $3.85 in cash, without interest, per share of Phoenix s common stock specified in the merger agreement was fair, from a financial point of view, to the Phoenix stockholders. The full text of RBC s written opinion dated August 17, 2010 is attached to this proxy statement as Annex B. Phoenix urges you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken by RBC. RBC s opinion was addressed to Phoenix s board of directors and does not constitute a recommendation to Phoenix stockholders as to how you should vote with respect to the merger.

Equity Commitment and Guarantee by Marlin (see page 29 of this document)

The merger agreement does not contain any financing condition. Marlin II and Marlin III have committed to purchase equity interests in Parent in an amount equal to the aggregate merger consideration on the terms and conditions set forth in equity commitment letters dated August 17, 2010. Pursuant to the merger agreement, Marlin II and Marlin III have also provided a guarantee in favor of Phoenix, which, subject to the terms and conditions contained in the merger agreement, guarantees the performance of the obligations of Parent and Merger Sub under the merger agreement. Phoenix is a third party beneficiary of the equity commitment letters and has the right to enforce the obligations of Marlin II and Marlin III under the equity commitment letter.

The Special Meeting of Phoenix Stockholders (see page 9 of this document)

The special meeting of the Phoenix stockholders will be held on October 25, 2010, at 10:00 a.m., local time, at 915 Murphy Ranch Road, Milpitas, CA 95035. At the Phoenix special meeting of stockholders, Phoenix stockholders will be asked to vote on a proposal to adopt the merger agreement and approve the merger and, if necessary, to approve an adjournment of the special meeting for the purpose of soliciting additional proxies if there are not sufficient votes to approve the merger proposal.

Required Stockholder Approval for the Merger (see page 10 of this document)

Adoption of the merger agreement and approval of the merger require the affirmative vote of the holders of at least a majority of the outstanding shares of Phoenix common stock. If Phoenix stockholders do not adopt the merger agreement and approve the merger, the merger will not be completed.

Conditions to Completion of the Merger (see page 47 of this document)

Completion of the merger depends upon the satisfaction or waiver, where permitted by the merger agreement, of a number of conditions, including the following (some of which are conditions to the closing obligations of both parties, and others of which are conditions to the closing obligations of only one party):

- adoption of the merger agreement by Phoenix stockholders;
- receipt of governmental consents and authorizations, including antitrust approval;

absence of any law, regulation or court order prohibiting the merger;

the representations and warranties in the merger agreement made by Phoenix being true and correct (without regard to the terms material, materially or material adverse effect) as of the closing date of the merger such that, in the aggregate, the effect of any inaccuracies in such representations and warranties would not have a material adverse effect on Phoenix (except that any representations or warranties expressly made as of a specific date, would be measured as of such date);

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each party having complied with all of its covenants and obligations under the merger agreement in all material respects;

Phoenix not having suffered any material adverse effect;

less than 10% of the shares of Phoenix common stock having elected to exercise appraisal rights and dissenting to the merger; and

at the effective time of the merger Phoenix shall have unrestricted cash and cash equivalents of at least $30,000,000.

For the definition of material adverse effect, see The Merger Agreement Representations and Warranties on page 43 of this document.

Limitation on Phoenix s Ability to Consider Other Acquisition Proposals (see page 45 of this document)

The merger agreement contains restrictions on the ability of Phoenix to solicit or engage in discussions or negotiations with a third party with respect to a proposal to acquire a significant interest in Phoenix, with certain exceptions.

Termination of the Merger Agreement (see page 48 of this document)

Parent and Phoenix can mutually agree to terminate the merger agreement without completing the merger. In addition, Parent and Phoenix can each terminate the merger agreement under the circumstances set forth in the merger agreement and described in this document.

Termination Fee and Expenses (see page 49 of this document)

The merger agreement provides that, under specified circumstances, Phoenix may be required to pay Parent a termination fee equal to $4,150,000 if the merger agreement is terminated.

Interests of Phoenix Directors and Executive Officers in the Merger (see page 29 of this document)

The executive officers of Phoenix and the members of the Phoenix board of directors have certain interests in the merger that are different from, or in addition to, the interests of stockholders generally.

Tom Lacey, Robert Andersen, David Gibbs and Timothy Chu, executive officers of Phoenix, each have a Severance and Change of Control Agreement with Phoenix that will entitle them to receive cash payments and other benefits if they experience a qualifying termination under certain circumstances within a designated period prior to or after the merger.

In addition, certain executive officers and certain directors of Phoenix hold Phoenix stock options and restricted stock awards that, as a result of the merger, will vest immediately prior to the closing of the merger. Certain executive officers are also entitled to receive a cash bonus under the Special Acquisition Bonus Plan.

Under the merger agreement, Phoenix, as the surviving corporation in the merger, has agreed to indemnify the directors and officers of Phoenix to the full extent permitted by law following the merger. Phoenix has also agreed to honor Phoenix s obligations under the indemnification agreements between Phoenix and its officers and directors in effect before the merger and any indemnification provisions of Phoenix s certificate of incorporation and bylaws.

Under the merger agreement, Phoenix will maintain for a period of six years an insurance policy covering persons who were directors or officers of Phoenix prior to the merger for the actions taken by such directors and officers in their capacities as directors and officers of Phoenix prior to the merger on terms with respect to coverage and amount no less favorable than those of such policy currently in effect, *provided*, *however*, that Phoenix will not be required to expend in excess of 200% of the current annual premium paid by Phoenix for such policies currently maintained by Phoenix.

The Phoenix board of directors was aware of and discussed and considered these interests when it approved the merger.

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Regulatory Matters (see page 40 of this document)

On August 31, 2010 Parent and Phoenix made the required filings concerning the merger with the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act). Early termination of the 30-day waiting period was granted on September 14, 2010, giving the parties HSR Act clearance.

Material U.S. Federal Income Tax Consequences (see page 38 of this document)

Generally, the receipt of cash in exchange for Phoenix common stock pursuant to the merger will be a taxable transaction to holders of Phoenix common stock for U.S. federal income tax purposes. A U.S. holder of Phoenix common stock receiving cash in the merger generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received (before reduction for any applicable withholding taxes) and the holder s adjusted tax basis in the Phoenix common stock surrendered. A non-U.S. holder of Phoenix common stock generally will not be subject to U.S. federal income tax unless the gain on the exchange is effectively connected with the conduct of a trade or business in the United States or the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of the merger and certain other conditions are met.

The tax consequences to you may vary depending on your particular circumstances. Due to the individual nature of tax consequences, you are urged to consult your own tax advisor as to the specific tax consequences to you of the merger, including the effects of any applicable state, local, foreign or other tax laws.

Appraisal Rights (see page 35 of this document)

Under Delaware law, if a Phoenix stockholder does not vote for approval of the merger and complies with the other statutory requirements of the Delaware General Corporation Law, the stockholder may elect to receive, in cash, the judicially determined fair value of the stockholder s shares of Phoenix common stock.

Delisting and Deregistration of Phoenix Common Stock (see page 40 of this document)

If the merger is completed, Phoenix s common stock will be delisted from The NASDAQ Global Market and deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act). Thereafter, the provisions of the Exchange Act will no longer apply to us, including the requirements to file periodic reports with the SEC and to furnish a proxy or information statement to our stockholders in connection with meetings of our stockholders.

Legal Proceedings Regarding the Merger (see page 40 of this document)

On August 24, 2010, August 25, 2010 and August 26, 2010, three separate and substantially identical shareholder class action complaints were filed in the Superior Court of the State of California, County of Santa Clara, naming Phoenix, certain executive officers of Phoenix, members of Phoenix s board of directors, Marlin and Ramius as defendants. On September 8, 2010, the court entered an order consolidating the three actions and ordering plaintiffs to file a consolidated complaint. On September 15, 2010, plaintiffs filed a consolidated amended complaint, which no longer includes as defendants Ramius and certain executive officers of Phoenix but adds as defendants Parent and Merger Sub. The consolidated amended complaint generally alleges that, in connection with approving the Merger, Phoenix directors breached their fiduciary duties owed to Phoenix stockholders, and that Marlin, Parent and Merger Sub knowingly aided and abetted the Phoenix directors breach of their fiduciary duties. The complaint seeks, among

other things, certification of the case as a class action, a declaration that the Phoenix directors have breached their fiduciary duties, an injunction precluding consummation of the merger, and an award of fees, expenses and costs to plaintiffs and their attorneys.

Phoenix intends to defend the lawsuit vigorously.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements, as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that reflect our current views as to future events and financial performance with respect to our operations, the expected completion and timing of the merger and other information relating to the merger. These statements can be identified by the fact that they do not relate strictly to historical or current facts. There are forward-looking statements throughout this proxy statement, including, among others, under the headings Summary Term Sheet, The Merger, The Merger Opinion of the Financial Advisor to Phoenix s Board of Directors in statements containing words such as anticipate, estimate, expect, will be, will continue, likely to become, plan, believe and other similar expressions. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on our business or operations or on the merger and related transactions. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise, except as required by law. In addition to other factors and matters contained in or incorporated by reference in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger;
- the failure of the merger to close for any other reason;
- the effect of the announcement of the merger on our client and customer and partner relationships, operating results and business generally;
- the risk that the proposed merger disrupts current plans and operations and our inability to respond effectively to competitive pressures, industry developments and future opportunities;
- the amount of the costs, fees, expenses and charges related to the merger;
- potential litigation regarding to the merger;

and other risks detailed in our current filings with the SEC, including our most recent filings on Forms 10-K, 10-Q and 8-K. You can obtain copies of our Forms 10-K, 10-Q and 8-K and other filings for free at the SEC website at *www.sec.gov* or from commercial document retrieval services.

The terms Phoenix SecureCore Tiano and Embedded BIOS used in this document are trademarks of Phoenix.

SPECIAL MEETING OF STOCKHOLDERS OF PHOENIX TECHNOLOGIES LTD.

Date, Time and Place of Meeting

The accompanying proxy is solicited by the board of directors of Phoenix for use at the special meeting of stockholders to be held on October 25, 2010 at 10:00 a.m., local time, at 915 Murphy Ranch Road, Milpitas, CA 95035.

These proxy solicitation materials were mailed on or about September 22, 2010 to all stockholders entitled to vote at the meeting.

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Record Date; Shares Entitled to Vote; Outstanding Shares

The Phoenix board of directors has fixed the close of business on September 15, 2010 as the record date for determining the stockholders of Phoenix entitled to notice of, and to vote at, the special meeting of stockholders or any adjournment thereof. Only Phoenix stockholders of record at the close of business on the record date will be entitled to notice of, and to vote at, the special meeting of stockholders or any adjournments thereof. Phoenix stockholders will have one vote for each share of Phoenix common stock that they owned on the record date.

At the close of business on the record date, there were 35,248,805 shares of Phoenix common stock issued and outstanding and entitled to vote at the Phoenix special meeting of stockholders.

Purpose of the Special Meeting of Stockholders

At the special meeting of stockholders, stockholders will be asked to:

1. Consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of August 17, 2010, by and among the Company, Pharaoh Acquisition Corp. (Parent) and Pharaoh Merger Sub Corp., a wholly-owned subsidiary of Parent (Merger Sub), each an affiliate of Marlin Equity Partners, and solely for purposes of providing a guarantee of the obligations of the Parent and Merger Sub, Marlin Equity II, L.P. (Marlin II) and Marlin Equity III, L.P., pursuant to which each share of the Company s common stock outstanding at the effective time of the merger will be converted into the right to receive $3.85 in cash, and the Company will become a wholly-owned subsidiary of Parent and indirect subsidiary of Marlin III; and

2. Consider and vote on a proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement.

Quorum; Abstentions; Broker Non-Votes

There must be a quorum for the special meeting of stockholders to be held. The holders of a majority of the issued and outstanding Phoenix common stock entitled to vote, present in person or represented by a properly executed and delivered proxy, will constitute a quorum for the purpose of transacting business at the special meeting of stockholders. Only Phoenix stockholders of record on the record date will be entitled to vote at the special meeting of stockholders. All shares of Phoenix common stock represented at the special meeting of stockholders, but not voting, including broker non-votes and abstentions, will be counted as present for purpose of determining the presence or absence of a quorum but will not be counted as having been voted on any proposal. Broker non-votes result from shares held of record by brokers, banks or nominees which are not voted due to the failure of the beneficial owners of those shares to provide voting instructions as to certain non-routine matters, such as a merger proposal, as to which such brokers, banks or nominees may not vote on a discretionary basis. Consequently, an abstention from voting or a broker non-vote will have the effect of a vote against the merger proposal but will not have any effect on the proposal to adjourn the special meeting.

Votes Required

Approval of the proposal for adoption of the merger agreement and approval of the merger requires the affirmative vote of a majority of the outstanding shares of Phoenix common stock. **The merger will not be completed unless Phoenix stockholders approve the merger proposal.**

If necessary, the affirmative vote of the holders of a majority of the shares of Phoenix common stock present and voting at the special meeting, whether or not a quorum is present, is required to adjourn the special meeting for the purpose of soliciting additional proxies in favor of the merger proposal.

Solicitation of Proxies

This solicitation is made on behalf of Phoenix s board of directors, and Phoenix will pay the costs of soliciting and obtaining the proxies, including the cost of reimbursing banks, brokers and other custodians, nominees and fiduciaries, for forwarding proxy materials to their principals. Proxies may be solicited, without extra compensation, by Phoenix s officers, directors and employees by mail, telephone, fax, personal interviews or other methods

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of communication. Phoenix has engaged Innisfree M&A Incorporated (Innisfree) to assist it in the distribution and solicitation of proxies. Phoenix estimates that it will pay Innisfree approximately $15,000 for its services and will reimburse Innisfree for reasonable out-of-pocket expenses.

Voting; Proxies and Revocation

You may vote in person or by proxy at the special meeting. If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that, if your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, and you wish to vote in person at the special meeting, you must bring to the special meeting (a) a legal proxy from the record holder of the shares (your broker, bank or nominee) authorizing you to vote at the special meeting and (b) your statement evidencing your beneficial ownership of our common stock.

If you do not wish to attend the special meeting and you are a record holder, you may submit your proxy by completing, dating, signing and returning the enclosed proxy card in the enclosed postage-paid envelope or otherwise mail it to Phoenix or its solicitor. In addition, you may submit your proxy by telephone by calling 1-800-690-6903 or through the Internet at *www.proxyvote.com*. You must have the enclosed proxy card available, and follow the instructions on the proxy card, in order to submit a proxy by the Internet or telephone. If you submit a proxy through the Internet, by telephone or by returning a signed proxy card by mail, your shares will be voted at the special meeting as you indicate on your proxy card or by such other method. If you sign your proxy card without indicating your vote, your shares will be voted **FOR** the adoption of the merger agreement and **FOR** the proposal to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

If you do not wish to attend the special meeting and your shares are held in street name, you should instruct your broker, bank or other nominee how to vote your shares using the voting instruction form furnished by your broker, bank or other nominee.

Proxies received at any time before the special meeting and not revoked or superseded before being voted will be voted at the special meeting. If you submit your proxy through the Internet, by telephone or by mail, you may revoke your proxy at any time before the vote is taken at the special meeting in any of the following ways:

- granting a proxy through the Internet or by telephone after the date of your original proxy and before the deadlines for voting included on your proxy card;
- submitting a later-dated proxy by mail before your earlier-dated proxy is voted at the special meeting;
- giving written notice of the revocation of your proxy to our Corporate Secretary at 915 Murphy Ranch Road, Milpitas, CA 95035, that is actually received by our Corporate Secretary prior to the special meeting; or
- voting in person at the special meeting.

Your attendance at the special meeting does not alone automatically revoke your proxy. If you have instructed your broker, bank or other nominee how to vote your shares, the above-described options for revoking your proxy do not apply. Instead, you must follow the directions provided by your broker, bank or other nominee to change your vote.

Voting Agreement

As a condition and inducement to the willingness of the Parent and Merger Sub to enter into the merger agreement, Ramius LLC, a Delaware limited liability company (Ramius), executed and delivered a Voting Agreement dated August 17, 2010 (the Voting Agreement) whereby Ramius has agreed to vote its shares of the Company s common stock in favor of the Merger. A copy of the Voting Agreement is attached as Annex C to this proxy statement. See The Merger Voting Agreement beginning on page 50 for a more detailed discussion of the Voting Agreement.

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Recommendations of our Board of Directors

After careful consideration and consultation with its financial and legal advisors, our board of directors has determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, that it is in the best interests of Phoenix and its stockholders that Phoenix enter into the merger agreement and consummate the merger, and that the merger agreement is fair to Phoenix and its stockholders. Our board of directors recommends that Phoenix stockholders vote **FOR** the proposal to adopt the merger agreement and approve the merger and **FOR** the adjournment proposal, if necessary. See Recommendations of Phoenix s Board of Directors beginning on page 20 of this document for a more detailed discussion of the recommendation of Phoenix s board of directors,

Your vote is important. Accordingly, please sign, date and return the enclosed proxy card whether or not you plan to attend the Phoenix special meeting of stockholders in person.

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THE MERGER

This section of the document describes the principal aspects of the proposed merger. While Phoenix believes that this description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to Phoenix stockholders. You can obtain a more complete understanding of the merger by reading the merger agreement, a copy of which is attached to this document as Annex A. You are encouraged to read the merger agreement and the other annexes to this document carefully and in their entirety.

Parties to the Merger

Phoenix Technologies Ltd.

Phoenix Technologies Ltd., a leader in core systems software products, services and embedded technologies, pioneers open standards and delivers innovative solutions that enable the PC industry s top system builders and specifiers to differentiate their systems, reduce time-to-market and increase their revenues. Phoenix s flagship products Phoenix SecureCore Tiano and Embedded BIOS are revolutionizing the PC user experience by delivering unprecedented performance, security, reliability, continuity, and ease-of-use. Phoenix established industry leadership and created the PC clone industry with its original BIOS product in 1983. Phoenix has over 200 technology patents issued and pending, and has shipped firmware in over one billion systems. Phoenix is headquartered in Milpitas, California with offices worldwide. Its principal executive offices are located at 915 Murphy Ranch Road, Milpitas, CA 95035, Tel: 1-800-677-7305. For more information, visit http://www.phoenix.com.

Pharaoh Acquisition Corp.

Pharaoh Acquisition Corp., a Delaware corporation (Parent), was formed solely for the purpose of entering into the merger agreement and completing the transactions contemplated thereby. Parent has not conducted any unrelated activities since its organization. Parent s principal executive offices are located at c/o Marlin Equity Partners, 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245, Tel: (310) 364-0100.

Pharaoh Merger Sub Corp.

Pharaoh Merger Sub Corp., a Delaware corporation (Merger Sub), was formed solely for the purpose of entering into the merger agreement and completing the transactions contemplated thereby. Merger Sub has not conducted any unrelated activities since its organization. Upon completion of the merger, the separate corporate existence of Merger Sub will cease. Merger Sub s principal executive offices are located at c/o Marlin Equity Partners, 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245, Tel: (310) 364-0100.

Parent and Merger Sub are indirect wholly-owned subsidiaries of funds affiliated with Marlin Equity Partners.

Marlin Equity II, L.P. and Marlin Equity III, LP

Marlin Equity II, L.P., a Delaware limited partnership (Marlin II), and Marlin Equity III, L.P., a Delaware limited partnership (Marlin III), have entered into the merger agreement solely for purposes of providing a guarantee of the obligations of the Parent and Merger Sub under the merger agreement. See Merger Equity Commitment and Guarantee by Marlin for a more detailed discussion of the equity commitment and guarantee by Marlin II and Marlin III. The principal executive offices of Marlin II and Marlin III are located at c/o Marlin Equity Partners, 2121 Rosecrans Avenue, Suite 4325, El Segundo, CA 90245, Tel: (310) 364-0100.

Marlin II and Marlin III are investment funds established by Marlin Equity Partners (Marlin), a Los Angeles-based private investment firm with over $1 billion of capital under management. Marlin is focused on providing corporate parents, shareholders and other stakeholders with tailored solutions that meet their business and liquidity needs. Marlin invests in businesses across multiple industries that are in the process of undergoing operational, financial or market-driven change where Marlin s capital, industry relationships and extensive operational capabilities significantly strengthens a company s outlook and enhances value. Since its inception, Marlin, through its

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group of funds and related companies, has successfully completed over 35 acquisitions. For more information, please visit www.marlinequity.com.

Background of the Merger

As part of the ongoing evaluation of Phoenix s business, the board of directors and management regularly consider a variety of strategic alternatives for the company. As part of this process, Phoenix s board of directors and management have evaluated, independently and with financial advisors, various alternatives for expanding its business, improving Phoenix s competitive position through focusing on its core business, and enhancing stockholder value, including the advisability of entering into a merger or sale of the company.

On January 5, 2010 Phoenix issued a press release stating that as part of its strategic initiative to re-focus Phoenix on the core systems software solutions business, it had retained GrowthPoint Technology Partners to explore the potential sale of various product lines that Phoenix deemed as non-core products, including FailSafe, HyperSpace and eSupport.

In connection with its strategic initiative, the board of directors established a Strategic Development Committee (Committee) to assist the board in evaluating and reviewing potential transactions relating to both the sale of various non-core product lines as well as exploring other strategic alternatives.

On February 2, 2010, a third party (Company A) submitted an unsolicited non-binding letter to Phoenix expressing its interest in a potential acquisition of Phoenix at a preliminary proposed price of $4.00 per share. The proposal contained in the letter was conditioned on, among other things, successful completion of due diligence and the negotiation of a definitive agreement.

At a meeting of the board of directors held on February 3, 2010, the board reviewed the terms of the letter and discussed the potential business combination described in Company A s proposal with Phoenix s management and Phoenix s legal counsel, Morgan, Lewis & Bockius LLP (Morgan Lewis). The board determined that it should obtain further information regarding Phoenix s opportunities and the alternatives that might be available to it, and that Phoenix should engage in a process that would allow the board to obtain such information as well as assist in the board s evaluation of the proposal contained in the letter from Company A. A representative of Phoenix contacted Company A to respond to the proposal and indicate that Phoenix would contact Company A to engage in further discussions relating to its proposal as the board reviewed Phoenix s strategic alternatives.

On February 18, 2010, following an earnings announcement by Phoenix on February 4, 2010 in which Phoenix reported, among other things, a decline in revenue in the first quarter of 2010 compared to the first quarter of 2009, Company A submitted a revised letter to Phoenix which was similar in form to the February 2nd letter, but with a lower proposed price of $3.70 per share. The revised proposal continued to be conditioned on, among other things, successful completion of due diligence and the negotiation of a definitive agreement.

On February 25, 2010, the board appointed Tom Lacey as Phoenix s President and Chief Executive Officer and to serve as a member of Phoenix s board of directors.

While the discussions with Company A did not ultimately result in a proposal from Company A that was acceptable to the board of Phoenix, the receipt of the proposal and subsequent discussions with Company A contributed to the board s decision to evaluate other strategic alternatives that might be available to Phoenix, including remaining as an independent company with growth funded from the divestiture of its noncore businesses. In connection with this evaluation, the board of directors authorized the engagement of RBC as its financial advisor in connection with the comprehensive review of Phoenix s strategic alternatives. RBC was engaged as the financial advisor to Phoenix on the

terms and conditions set forth in a letter agreement dated March 8, 2010.

At a meeting of the board of directors on March 12, 2010, the board discussed with representatives of RBC and management the interest expressed by Company A, and instructed management and RBC to further evaluate the strategic alternatives available to Phoenix, including Phoenix s continued operation as an independent company and the potential for a business combination with Company A or other potential parties. The board of directors also discussed with management and representatives of RBC the process by which Phoenix might explore and evaluate strategic transactions, including opportunities for Phoenix to combine with, or be acquired by, another company,

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and the identity of the parties to be contacted. In addition, a representative of Morgan Lewis reviewed with the board of directors its fiduciary duties in connection with its consideration of such alternatives. At the conclusion of these discussions, the board instructed RBC to contact certain parties that might be interested in a potential acquisition of, or combination with, Phoenix. The board also instructed RBC to provide additional financial analyses regarding other strategic alternatives, including Phoenix remaining as an independent business.

Beginning on March 15, 2010, representatives of RBC confidentially contacted 56 companies, including both strategic buyers and financial sponsors, regarding a potential transaction with Phoenix. These companies included Company A, Marlin Capital Partners (Marlin) and three other companies that are referred to as Company B , Company C and Company D . Phoenix subsequently entered into nondisclosure agreements with fifteen of the companies contacted (including with Marlin on March 22, 2010 and with Company A, Company B, Company C and Company D). Phoenix s management gave presentations to eleven of these companies regarding Phoenix s business and operations, and Phoenix made certain information available to these parties in connection with their review of Phoenix s business. On April 16, 2010, a representative of Marlin called a representative of RBC to advise him that Marlin had decided not to pursue a business combination with Phoenix at that time.

Also during this process, the board of directors held numerous meetings to evaluate the process and to obtain updates on the status of the discussions with various companies. At this time, the Phoenix board of directors also instructed RBC to provide analysis of certain strategic alternatives, including continued operation as an independent company and entering into a strategic business combination or the sale of the company. The board of directors also instructed management to develop for presentation to the board of directors at subsequent meetings detailed strategic plans for continued operation of the business as an independent company.

On April 8, 2010, Phoenix announced that Absolute Software Corporation had acquired certain assets associated with the FailSafe product line. The closing of the transaction yielded approximately $6.9 million in cash for Phoenix.

At a meeting of the Strategic Development Committee held on April 23, 2010, representatives of RBC updated the Committee on the status of discussions regarding a potential business combination, and discussed the next steps in the process, including the distribution of bid instruction letters to those parties who continued to show interest in a potential transaction. The Committee reviewed a draft bid instruction letter and authorized RBC to send bid instruction letters to interested parties requesting, among other things, that such parties submit initial indications of interest to RBC on or prior to May 11, 2010. In accordance with the Committee s instructions, representatives of RBC subsequently sent bid instruction letters to the eleven parties that had signed confidentiality agreements and were continuing to express interest in a potential transaction with Phoenix.

At the same meeting, the Committee also discussed the amount of time that management was committing to the process, including management s presentations to interested parties, as well as the potential effect on Phoenix if certain members of management did not continue to be employed by Phoenix through the completion of any potential transaction. The Committee discussed the necessity of implementing an incentive plan to ensure that key employees would continue their employment through the consummation of a transaction, and instructed RBC to include certain anticipated expenses associated with such incentive plan in the financial information provided to interested parties.

Prior to the May 11, 2010 deadline for submitting proposals, Company D informed RBC that it would only be interested in performing further due diligence if Phoenix would accept a below market offer price per share. After reviewing this information with certain members of the Committee, RBC subsequently informed Company D that it would not be granted further access to Phoenix s confidential information unless Company D indicated its willingness to propose an increased price. Following such discussions, Company D did not make any proposals or indicate a willingness to increase the proposed price until Company D made a written non-binding proposal on August 25, 2010, following the public announcement of Phoenix s merger with Marlin, as described below.

At a meeting of the board of directors on May 13, 2010, the board reviewed the proposals submitted by interested parties and discussed the potential business combinations described in the proposals with Phoenix s management, representatives of RBC and Morgan Lewis. As of that time, Phoenix had received three proposals. Company A provided a verbal, non-binding proposal at an at market offer price per share (Phoenix s closing share

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price on May 11, 2010 was $3.29). Company B submitted a written, non-binding proposal of $4.00 per share. Company C submitted a written non-binding proposal of $2.70 $2.90 per share. Each of the proposals was conditioned upon the satisfaction of due diligence and the negotiation of definitive agreements. None of the remaining seven parties subsequently submitted a proposal.

The board instructed RBC to invite Company B into a second stage of due diligence, and to enter into negotiations with Company A and Company C in an attempt to have such companies raise the price in their respective proposals. The board instructed RBC to inform Company A and Company C that, as outlined in the bid instruction letter previously sent to such companies, they would not be able to continue in Phoenix s process unless they raised their respective offer prices. As instructed by the board, RBC subsequently contacted each company and invited Company B to continue due diligence activities with Phoenix. Neither Company A nor Company C subsequently improved their proposals.

At a meeting of the board of directors held on May 18, 2010, the board further discussed the potential business combinations described in the three proposals. In addition, certain members of management presented to the board the strategic plans for continued operation of the business, potential areas of value in the company and the opportunities and risks associated with executing Phoenix s business plan as an independent company. In addition, the board discussed with RBC various valuation models and the assumptions contained in such analyses. At the conclusion of the meeting, the board authorized RBC and management to continue discussions with the interested parties.

On May 25, 2010, Company D contacted a representative of RBC and indicated that it was interested in re-engaging with Phoenix to explore a potential transaction. Given Company D s renewed interest, Phoenix provided Company D with access to the same due diligence information that was provided to the other interested parties prior to the May 11 bid deadline and RBC requested that Company D submit a written proposal as soon as possible. On June 4, 2010, after reviewing the information, Company D informed RBC that it was no longer interested in pursuing a potential transaction with Phoenix at that time.

On May 28, 2010, a representative of Marlin contacted a representative of RBC to inquire whether it could re-engage with Phoenix to explore a potential transaction. Phoenix provided Marlin with access to the same due diligence information that was provided to the other interested parties prior to the May 11th bid deadline and asked Marlin for a proposal as soon as possible. After evaluating this additional material, on June 2, 2010, Marlin submitted a written non-binding proposal for $3.97 per share. The proposal was conditioned upon completing further diligence and the negotiation of a definitive agreement. Following receipt of the proposal from Marlin, the board instructed RBC to include Marlin in the second stage of the due diligence process. A representative of RBC subsequently informed Marlin that it would be allowed to continue in its due diligence process with Phoenix.

Beginning in May 2010 and continuing through June 24, 2010, representatives of Marlin and Company B conducted comprehensive due diligence investigations of Phoenix and held various meetings with members of Phoenix s management. In addition, in June 2010, management of Phoenix engaged in discussions with two other companies regarding the potential sale of certain intellectual property owned by Phoenix and those companies were provided with diligence information relating to the intellectual property. Although both of these companies indicated that they were interested in pursuing a transaction, neither company submitted a proposal with respect to the transfer of Phoenix s intellectual property.

On June 16, 2010, Phoenix announced it had completed the sale of the assets related to its HyperSpace product to Hewlett Packard for total consideration of $12.0 million, of which approximately $9.8 million was paid to Phoenix at the closing, after deducting certain fees and costs relating to the transaction, and $2.0 million was placed into escrow to cover certain potential indemnification obligations.

On June 17, 2010, Phoenix announced the sale of its eSupport business assets to eSupport.com, Inc., a newly-formed private entity, for an upfront cash payment of $1.0 million and an aggregate of $0.6 million in licensing fees to be paid annually over the next three years. Combined with the previously-announced asset sales of FailSafe and HyperSpace, the sale of eSupport marked Phoenix s third and final non-core asset divestiture. In total, Phoenix received $20.3 million in consideration from these transactions: $17.7 million in cash and $2.6 million in escrowed amounts and future licensing fees.

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At a meeting of the board of directors held on June 18, 2010, representatives of RBC updated the board on the status of discussions with Marlin and Company B, and discussed sending further bid instruction letters to the two parties. The instruction letters would request best and final bids, and instruct the two parties to provide comments to a proposed merger agreement in order to permit the board to ascertain the terms under which the two parties were willing to proceed. Representatives of Morgan Lewis reviewed with the board the terms of the draft merger agreement to be provided to Marlin and Company B, which draft had been previously provided to the board, and the board discussed the proposed terms. Following such review, the board authorized RBC to send bid instruction letters, together with the draft merger agreement, to the two parties requesting, among other things, that the parties submit proposals to RBC on or prior to June 24, 2010.

On June 24, 2010, RBC received acquisition proposals for Phoenix from both Marlin and Company B. Company B submitted a non-binding proposal at a price of $3.35 per share, and Marlin submitted a non-binding proposal at a price of $4.20 per share.

Both proposals contained a condition that Phoenix grant a period of exclusivity in order to permit the completion of due diligence and negotiation of the merger agreement. Also, as requested, Marlin provided a revised draft of the proposed merger agreement indicating its proposed changes to the terms of the transaction. Company B did not provide a revised draft of the merger agreement.

At a meeting of the board of directors held on June 25, 2010, the board reviewed and discussed the terms of the proposals with representatives of RBC and Morgan Lewis. Following such review and discussion, the board instructed RBC to request that both Company B and Marlin improve the terms of their proposals. In addition, the board authorized the Committee to grant exclusivity to Marlin under certain conditions. As instructed, representatives of RBC engaged in negotiations with both Company B and Marlin and requested that each company improve its terms. Company B declined to improve the terms of its proposal. On June 28, 2010, Marlin submitted a revised proposal with a price of $4.38 per share less the anticipated cost of Phoenix s retention plan that had been discussed with Marlin. On June 29, 2010, RBC discussed the proposal with Marlin, including the anticipated costs associated with the retention plan, and requested that Marlin clarify and improve the terms of its proposal. Following such discussion, Marlin submitted a revised proposal with a price of $4.30 per share and improved certain other terms.

At a meeting of the Strategic Development Committee held on June 30, 2010, the Committee reviewed and discussed with representatives of RBC and Morgan Lewis the latest proposals and proposed next steps with each interested party. In particular, representatives of RBC reviewed the status of negotiations with the two interested parties and noted that Marlin had improved the terms of its proposal. In addition, representatives of Morgan Lewis also reviewed with the directors their legal obligations, including fiduciary duties, and summarized the material terms and conditions of the most recent draft of the merger agreement with Marlin, which had been negotiated with Marlin and further revised since Marlin s prior proposal. The Committee also discussed with management and its advisors the terms of the proposed exclusivity agreement with Marlin, and the unwillingness of Marlin to proceed without such exclusivity. After further discussions, the Committee authorized Phoenix to enter into an agreement with Marlin providing for exclusivity, authorized management to continue due diligence with Marlin and to negotiate the terms of the merger agreement. On July 1, 2010 Phoenix entered into a 30-day exclusivity period with Marlin to permit further due diligence and the negotiation of the merger agreement.

From July 1, 2010 through July 31, 2010, representatives of Marlin conducted due diligence investigations of Phoenix. During that time, at the direction of the board, certain members of management and representatives of RBC met with representatives of Marlin to discuss the operations of Phoenix and its financial condition. Also, during this time, representatives of Phoenix and Morgan Lewis discussed Marlin s legal due diligence and as part of those diligence investigations, reviewed legal, financial and operations data relating to Phoenix. Also during this time the parties and their legal and financial advisors engaged in extensive negotiations regarding the terms and conditions of

the merger agreement relating to the proposed merger.

At a meeting of the board of directors held on July 19, 2010 which was also attended by representatives of RBC and Morgan Lewis, the board reviewed the status of discussions with Marlin and the terms of the proposed transaction. A representative of Morgan Lewis summarized the terms contained in the most recent draft of the merger agreement and reviewed with the board their fiduciary duties in connection with the proposed transaction. In addition, Phoenix s management reviewed Phoenix s financial performance, including the outlook for the next

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quarter and fiscal year. The board discussed the assumptions contained in management s presentation, as well as the risks and opportunities associated with executing Phoenix s business plan. In addition, the board discussed the risks associated with completing a transaction with Marlin, including the possibility of losing employees as a result of the announcement of the transaction and generally the risks of satisfying the closing conditions in such a transaction. The board noted that Marlin had not engaged in any discussions with management regarding their future employment with the company and had indicated that it did not intend to do so prior to the announcement of a transaction. In connection with such discussion, the board discussed the necessity of implementing a retention plan to ensure that certain key employees would remain employed by Phoenix following announcement of a transaction. The board requested additional information from management relating to such retention plan. Also, in determining the size of the retention plan, both in absolute and percentage terms, the board used a matrix which contemplated a variety of potential acquisition prices. The matrix contemplated that if a transaction occurred at a price higher (or lower) than the one embodied in the proposal from Marlin, then the size of the retention plan would increase (or decrease) both in dollar amount and as a percentage of the overall transaction value, pursuant to that matrix.

During the initial exclusivity period, Marlin requested that exclusivity be extended for an additional week to allow Marlin to complete its due diligence and finalize the negotiations of the merger agreement.

At a meeting of the board of directors held on July 29, 2010, the board discussed the request by Marlin with management and its advisors and, in particular, discussed the causes for the delay in the completion of diligence and the timing of the delivery of diligence materials to Marlin. After further discussions regarding the fact that Phoenix had not been able to provide some diligence materials in the time frame requested by Marlin, the board approved the extension of exclusivity with Marlin to August 6, 2010.

During the week of July 30th, representatives of RBC and management of Phoenix engaged in extensive discussions with Marlin regarding outstanding diligence matters. In addition, representatives of Morgan Lewis negotiated terms of the proposed merger agreement with Marlin s counsel. During this time, Marlin indicated that it would need additional time to complete certain additional due diligence and re-confirm the price that it had previously proposed. Marlin requested that the exclusivity period be extended until August 9, 2010.

Following the receipt of such request, at a meeting of the board of directors held on August 6, 2010, the board determined that Phoenix should not extend the exclusivity period until Marlin re-affirmed its proposed price.

On August 9, 2010, Marlin contacted a representative of RBC and indicated that, based on its recent due diligence review, Marlin was prepared to acquire Phoenix at a price of $3.85 per share. Marlin also indicated that it would need two more weeks to complete its diligence review and would require exclusivity during that time period. Also on August 9, 2010, at the direction of the board, certain members of management had further discussions with two companies regarding the potential sale of certain intellectual property of Phoenix. The two companies indicated that they were interested in pursuing such a transaction, but neither company submitted a proposal to Phoenix.

At a meeting of the board of directors on August 9, 2010, the board reviewed Marlin s revised proposal and discussed with representatives of RBC and management the diligence issues that had been identified by Marlin in their revised proposal. The board instructed RBC to negotiate with Marlin to improve the price of its proposal. Following the meeting, a representative of RBC contacted Marlin and attempted to negotiate a higher price; however, Marlin responded that it would not increase the price in its proposal.

Following the meeting, Jeff Smith, Chairman of the Board of Directors of Phoenix, also had discussions with a representative of Marlin regarding the proposed purchase price and the timing of the transaction. Marlin indicated that they were not willing to increase the proposed price, although Marlin told Mr. Smith that it would be prepared to sign a merger agreement on August 16, 2010 provided that Phoenix enter into an exclusivity agreement with Marlin during

that period.

At a meeting of the board of directors on August 11, 2010, Mr. Smith and RBC updated the board on their discussions with Marlin. In light of the shorter time period and the insistence by Marlin that Phoenix enter into an exclusivity agreement during that period, the board authorized Phoenix to enter into an exclusivity agreement for the period ending August 16, 2010.

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Prior to entering into the exclusivity agreement, management of Phoenix engaged in further discussions with two companies regarding the possible sale of certain intellectual property. No proposals were received from these companies for such a transaction.

In the afternoon of August 12, 2010, Phoenix entered into an exclusivity agreement with Marlin providing for an exclusivity period through August 16, 2010.

From August 12, 2010 through August 16, 2010, representatives of Marlin conducted further due diligence of the operations of Phoenix. Also during this time the parties and their legal and financial advisors engaged in extensive negotiations regarding the terms and conditions of the merger agreement relating to the proposed merger.

On August 16, 2010, the board of directors held a meeting to consider the terms and conditions of the proposed transaction with Marlin. Management and representatives of RBC and Morgan Lewis provided an update on the status of negotiations with Marlin, including the fact that Marlin was finalizing its diligence review of Phoenix, as well as a review of other discussions that had occurred with interested parties regarding a transfer of certain intellectual property of Phoenix. The directors noted that the discussions relating to the intellectual property had not resulted in the receipt of a proposal from either of the interested parties. Representatives of RBC then provided an update to its financial analyses with respect to the proposed transaction from a financial point of view. Representatives of Morgan Lewis reviewed with the board of directors its fiduciary duties in connection with its consideration of the transaction with Marlin and gave a detailed overview of the terms, conditions, contingencies, risks and other aspects of the potential transaction. After considering the advice of its advisors, the Phoenix board of directors evaluated the proposed business combination as well as continuing to operate the business as an independent company. The board authorized its advisors to continue discussions with Marlin to finalize the terms of the proposed transaction and to confirm that Marlin had completed its diligence review of Phoenix.

At a meeting of the board of directors on August 17, 2010, representatives of RBC and Morgan Lewis advised the board that Marlin had completed its diligence and was prepared to sign the merger agreement. Representatives of RBC then updated RBC s analyses of the financial aspects of the transaction and discussed any changes from the presentation RBC gave to the board the previous day. RBC then delivered its oral opinion, subsequently confirmed in writing, to the effect that, based upon and subject to certain assumptions made, matters considered and limitations set forth in its opinion, the offer by Marlin of $3.85 per share in cash to be received by holders of Phoenix s common stock pursuant to the merger agreement was fair, from a financial point of view, to the holders of shares of Phoenix s common stock. See The Merger Opinion of Financial Advisor to Phoenix s Board of Directors beginning on page 22 of this document and a copy of the opinion attached as Annex B to this document. In addition, representatives of Morgan Lewis summarized the changes in the merger agreement from the previous day.

Following the presentations and after further discussions and deliberations among the directors, management and financial and legal advisors, the board of directors unanimously determined that the merger agreement, the merger and other the transactions contemplated by the merger agreement, were fair to, advisable, and in the best interest of Phoenix and its stockholders, unanimously adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement, and unanimously recommended that its stockholders adopt the merger agreement.

A telephone call was held on the afternoon of August 17, 2010 following the approvals of the merger and related transactions by the board of directors, during which the respective legal counsel of Marlin and Phoenix met by telephone conference to finalize the transaction. Phoenix and affiliates of Marlin then executed the merger agreement on August 17, 2010, as well as the commitment letters from Marlin, and a voting agreement was executed by Phoenix s largest stockholder. Ramius LLC.

Later in the day on August 17, 2010, Phoenix publicly announced the transaction through the issuance of a press release.

On August 25, 2010, Phoenix received an unsolicited non-binding proposal from Company D to acquire all of the securities of Phoenix for cash consideration of $150 million. The merger with Marlin is valued at approximately $139 million. The non-binding proposal was subject to satisfactory completion of due diligence by Company D and the negotiation of definitive agreements. According to the proposal, Company D anticipates that the other terms of the transaction would not materially differ from the merger with Marlin, except that the minimum cash balance that

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Phoenix is required to maintain at closing would be reduced from $30 million to $25.85 million, with the difference being equal to the $4.15 million termination fee payable under the merger agreement if Phoenix were to terminate the Merger Agreement with Marlin under certain circumstances.

On August 26, 2010, the board of directors carefully reviewed the terms of the unsolicited proposal and, after consulting with representatives of RBC and Morgan Lewis, determined that the unsolicited proposal satisfies the conditions contained in the merger agreement with Marlin that permit Phoenix, in order for the board to comply with its fiduciary duties under applicable law, to enter into discussions and negotiations with Company D with respect to the proposal and to share information about Phoenix with Company D. Phoenix has commenced such discussions in accordance with the terms of the merger agreement.

On August 31, 2010, Phoenix received a communication from Company D that specified that the price per share in Company D s proposal would be $4.15. Company D also delivered a draft merger agreement. The merger agreement contemplated a tender offer structure and contained a closing condition reflecting the reduced minimum cash position described in Company D s proposal. Other than with respect to the foregoing, the merger agreement contained terms that were not materially different than the terms in the merger agreement with Marlin.

After an extensive diligence review by Company D of the business and operations of Phoenix, RBC requested that Company D submit a definitive offer to Phoenix on or prior to September 20, 2010. However, on September 20, 2010, Company D advised RBC and Phoenix that it was not able to make a definitive offer at that time, and would not be in a position to make a definitive offer, if at all, until it completed its diligence review. Company D estimated that its diligence review would likely be completed by the end of September 2010.

Company D s non-binding proposal continues to be subject to satisfactory completion of due diligence by Company D and the negotiation of definitive agreements. There is no assurance that the proposal from Company D will not be withdrawn, or will result in an offer that is acceptable to the board of directors or that a definitive agreement will be executed.

Phoenix is continuing to comply with its obligations under its merger agreement with Marlin, which remains in effect. As previously announced, the board of directors has approved the merger with Marlin and continues to support its recommendation that Phoenix s stockholders adopt the merger agreement and approve the merger with Marlin.

Recommendations of Phoenix s Board of Directors

After careful consideration and consultation with its financial and legal advisors, Phoenix s board of directors has determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, that it is in the best interests of Phoenix and its stockholders that Phoenix enter into the merger agreement and consummate the merger, and that the merger agreement is fair to Phoenix and its stockholders. Our board of directors recommends that Phoenix stockholders vote **FOR** the proposal to adopt the merger agreement and approve the merger and **FOR** the adjournment proposal, if necessary.

In considering the recommendation of Phoenix s board of directors with respect to the merger agreement, you should be aware that certain directors and executive officers of Phoenix have interests in the merger that are different from, or are in addition to, the interests of Phoenix stockholders. Please see the section entitled The Merger Interests of Phoenix Directors and Executive Officers in the Merger beginning on page 29 of this document.

Phoenix s Reasons for the Merger

Phoenix s board of directors has determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, that it is in the best interests of Phoenix and its stockholders that Phoenix enter into the merger agreement and consummate the merger, and that the merger agreement is fair to Phoenix and its stockholders.

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In reaching its decision to approve the merger agreement and to recommend that Phoenix stockholders vote to adopt the merger agreement and approve the merger, Phoenix s board of directors considered a number of factors, including the following:

a thorough process was conducted where numerous private equity and strategic firms were contacted;

historical information concerning Phoenix s businesses, financial performance and condition, operations, technology, management and competitive position;

the availability, strategic viability and economic terms of possible alternatives to the transaction with Marlin;

the belief that the terms of the merger agreement, including the parties representations, warranties and covenants, and the conditions to the parties respective obligations, are reasonable;

the premiums paid in comparable transactions and the terms of other recent merger agreements involving other relevant companies;

the fact that Phoenix stockholders would receive $3.85 in cash, without interest, for each share of common stock, which represents a premium of approximately 27% over Phoenix s closing share price of $3.02 on August 17, 2010, and a premium of approximately 25% over Phoenix s average closing share price for the 30 trading days ending on August 17, 2010;

the fact that under the merger agreement, the Phoenix board of directors has the right to withdraw or modify its recommendation in favor of the merger agreement if, prior to obtaining the requisite stockholder approval, Phoenix receives a takeover proposal and the Phoenix board of directors determines that the takeover proposal constitutes a superior proposal, and that the failure to take these actions would be inconsistent with the fiduciary duties of Phoenix s board of directors, and the ability of Phoenix to terminate the merger agreement if the Phoenix board of directors has authorized Phoenix to enter into a superior proposal;

the analyses prepared by RBC presented to the Phoenix board of directors, and the oral opinion of RBC, subsequently confirmed in writing, that as of August 17, 2010, and based upon and subject to certain assumptions made, matters considered and limitations set forth in RBC s opinion (the full text of which is attached as Annex B to this document), the merger consideration to be received by holders of shares of Phoenix common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders, as described more fully under The Merger Opinion of the Financial Advisor to Phoenix s Board of Directors beginning on page 22 of this document;

the board s familiarity with, and presentations by our management and financial advisor regarding, our business, operations, financial condition, business strategy and prospects (as well as the risks involved in achieving those prospects), the nature of the business in which we compete, and general industry, economic and market conditions, both on a historical and on a prospective basis;

the fact that the merger consideration is all cash and not subject to a financing condition, and that Marlin Equity Partners have provided financing commitments to Phoenix with respect to the payment of the merger consideration;

the board s belief that the merger likely would be completed on a timely basis; and

the level of efforts that the parties must use under the merger agreement to obtain governmental and regulatory approvals, and our board s belief, after review with our legal advisors, in the likelihood of the merger being approved by the appropriate regulatory authorities in light of these merger agreement provisions.

Phoenix s board of directors also considered a number of potentially negative factors in its deliberations concerning the merger. The potentially negative factors considered by Phoenix s board of directors included:

the fact that the all-cash price would not allow Phoenix stockholders to participate in any of the synergies created by the merger or in any future growth of the business;

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the risk that the merger might not be completed in a timely manner or at all;

the negative impact of any customer or supplier disappointment or confusion after announcement of the proposed merger;

the fact that under the merger agreement, before the closing of the merger, Phoenix is required to obtain Marlin s consent before it can take a variety of actions;

the possibility of management and employee disruption associated with the potential merger;

certain terms of the merger agreement and related agreements that prohibit Phoenix and its representatives from soliciting third party bids or from entering into discussions regarding, accepting, approving or recommending unsolicited third party bids except in very limited circumstances, which terms may reduce the likelihood that a third party would make a bid for Phoenix;

the interests of certain Phoenix executive officers and directors in the merger described under The Merger Interests of Phoenix Directors and Executive Officers in the Merger beginning on page 29 of this document;

the fact that the merger will be a taxable transaction to our shareholders;

the termination fee payable by Phoenix in certain circumstances; and

the possibility that the parties may not be able to obtain all of the approvals necessary to consummate the merger.

After considering the risks, Phoenix s board of directors concluded that the potential benefits of the merger outweighed these risks.

The foregoing discussion, information and factors considered by Phoenix s board of directors is not intended to be exhaustive but is believed to include all material factors considered by Phoenix s board of directors. In view of the wide variety of factors considered by Phoenix s board of directors, as well as the complexity of these matters, Phoenix s board of directors did not find it practical to quantify or otherwise assign relative weight to the specific factors considered. In addition, Phoenix s board of directors did not reach any specific conclusions on each factor considered, or any aspect of any particular factor, and individual members of the board of directors may have given different weights to different factors. In making its determinations and recommendations, the board of directors as a whole viewed its determinations and recommendations based on the totality of the information presented to and considered by it. However, after taking into account all of the factors set forth above, Phoenix s board of directors unanimously agreed that the merger agreement and the merger were fair to, and in the best interests of Phoenix and its stockholders and that Phoenix should proceed with the merger.

Opinion of the Financial Advisor to Phoenix s Board of Directors

On August 17, 2010, as financial advisor to the Company s board of directors, RBC rendered its written opinion to the Company s board of directors that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the merger consideration of $3.85 in cash, without interest, for each share of the Company s Common Stock specified in the merger agreement (the Merger Agreement) was fair, from a financial point of view, to the Company s stockholders. The full text of RBC s written opinion dated August 17, 2010 is attached to this proxy statement as Annex B. RBC s opinion was approved by the RBC M&A Fairness Opinion Committee. **This summary**

of RBC s opinion is qualified in its entirety by reference to the full text of the opinion. The Company urges you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken by RBC.

RBC s opinion was provided for the information and assistance of the Company s board of directors in connection with their consideration of the Merger. RBC s opinion did not address the Company s underlying business decision to engage in the Merger or the relative merits of the Merger compared to any alternative business strategy or transaction in which the Company might engage. RBC s opinion and the analyses performed by RBC in connection with its opinion and reviewed by the Company s board of directors were only two of many factors taken into consideration by the Company s board of directors in connection with its evaluation of the Merger. **RBC s**

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opinion does not constitute a recommendation to the Company s stockholders as to how you should vote with respect to the Merger.

RBC s opinion addressed solely the fairness of the per share price payable in the Merger, from a financial point of view, to the Company s stockholders and did not in any way address other terms or arrangements of the Merger or the Merger Agreement, including, without limitation, the financial or other terms of any other agreement contemplated by, or to be entered into in connection with, the Merger Agreement. Further, in rendering its opinion, RBC expressed no opinion about the fairness of the amount or nature of the compensation to any of the Company s officers, directors, or employees, or class of such persons, relative to the compensation to the Company s public stockholders.

In rendering its opinion, RBC assumed and relied upon the accuracy and completeness of all information that was publicly available to RBC and all of the financial, legal, tax, operating, and other information provided to or discussed with it by the Company, including, without limitation, the Company s financial statements and related notes thereto. RBC did not assume responsibility for independently verifying, and did not independently verify, this information. RBC assumed that the financial estimates, projections and forecasts of Phoenix prepared by the Company s management and reviewed by RBC were reasonably prepared reflecting the best currently available estimates and good faith judgments of the future financial performance of Phoenix, as a standalone entity, as of the time such financial estimates, projects and forecasts were made. RBC expressed no opinion as to those financial estimates, projections and forecasts or the assumptions on which they were based. RBC did not assume any responsibility to perform, and did not perform, an independent evaluation or appraisal of any of the assets or liabilities of Phoenix, and RBC was not furnished with any such valuations or appraisals. In addition, RBC did not assume any obligation to conduct, and did not conduct, any physical inspection of the property or facilities of Phoenix. Additionally, RBC was not asked to, and did not consider, the possible effects of any litigation or other claims affecting Phoenix. RBC did not investigate and made no assumption regarding the solvency of Phoenix, Parent or Merger Subsidiary nor the impact (if any) on such solvency of the financing for the Merger contemplated by the commitment letters or the debt financing.

In rendering its opinion, RBC assumed, in all respects material to its analysis, that all conditions to the consummation of the Merger would be timely satisfied without waiver. RBC further assumed that the executed version of the Merger Agreement would not differ, in any respect material to its opinion, from the latest draft RBC received on August 16, 2010.

RBC s opinion spoke only as of the date it was rendered, was based on the conditions as they existed and information with which RBC was supplied as of such date, and was without regard to any market, economic, financial, legal or other circumstances or events of any kind or nature which may exist or occur after such date. RBC has not undertaken to reaffirm or revise its opinion or otherwise comment on events occurring after the date of its opinion and does not have an obligation to update, revise or reaffirm its opinion. Unless otherwise noted, all analyses were performed based on market information available as of August 16, 2010.

In connection with its review of the Merger and the preparation and rendering of its opinion, RBC undertook the review and inquiries it deemed necessary and appropriate under the circumstances, including:

- reviewing the financial terms of the draft merger agreement dated August 16, 2010;
- reviewing and analyzing certain publicly available financial and other data with respect to Phoenix and certain other relevant historical operating data relating to Phoenix made available to RBC from published sources and from the Company s internal records;
- reviewing financial estimates, projections and forecasts of Phoenix prepared by the Company s management;

conducting discussions with members of the Company s senior management with respect to the Company s business prospects and financial outlook as a standalone entity;

reviewing the reported prices and trading activity for the Company s Common Stock; and

performing other studies and analyses as RBC deemed appropriate.

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In arriving at its opinion, in addition to reviewing the matters listed above, RBC performed the following analyses:

RBC compared selected market valuation metrics of Phoenix and other comparable publicly-traded companies with the financial metrics implied by the per share price payable in the Merger;

RBC compared the financial metrics of selected precedent transactions with the financial metrics implied by the per share price payable in the Merger; and

RBC compared the premiums paid in selected precedent transactions with the premiums implied by the per share price payable in the Merger.

In connection with the rendering of its opinion to the Company s board of directors, RBC reviewed with the Company s board of directors the analyses listed above and other information material to the opinion. RBC informed the Company s board of directors that it did not perform a discounted cash flow analysis because the Company does not prepare sufficiently long-term financial projections to facilitate such an analysis and that in its professional judgment RBC did not believe that a discounted cash flow analysis was a reliable method for determining the value of Phoenix due to the particular difficulty of forecasting the long-term future results of smaller companies. Set forth below is a summary of the analyses used by RBC, including information presented in tabular format. To fully understand the summary of the analyses used by RBC, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analysis.

Comparable Public Company Analysis. RBC prepared a comparable company analysis of certain of the Company s implied transaction multiples relative to a group of publicly-traded companies that RBC deemed, in its professional judgment for purposes of its analysis, to be comparable to the Company. In selecting publicly-traded companies, RBC considered enterprise software companies that at the time of the first board meeting on March 10, 2010 had market capitalizations less than $500 million.

NetScout Systems, Inc.;

Cogent Communications Group, Inc.;

Absolute Software Corp.;

Saba Software, Inc.;

Falconstor Software, Inc.;

Guidance Software, Inc.;

Callidus Software, Inc.;

Insyde Software Corp.;

Pervasive Software, Inc.;

inContact, Inc.; and

Versant Corp.

In this analysis, RBC compared the Company s enterprise value (EV) implied by per share price payable in the Merger, expressed as a multiple of the Company s actual calendar year 2009, projected calendar year 2010 and projected Phoenix fiscal year 2011 revenue and earnings before interest, taxes, depreciation and amortization (EBITDA), to the respective multiples of calendar year 2009, projected calendar year 2010 and projected Phoenix fiscal year 2011 EV-to-revenue and to EV-to-EBITDA of the comparable companies implied by the public trading prices of their common stock. Projected revenue and EBITDA were based on internal management projections and Wall Street research in the case of the Company and, in the case of the comparable companies, SEC and other public filings, press releases, FactSet, Thomson ONE, RBC institutional research and other Wall Street sources.

To adjust for the sale and disposition of Non-Core product lines, financial results used in RBC s analysis for CY2010E for Wall Street consensus results represent: (a) pro forma financial results prepared by management that exclude revenue and costs from Non-Core product lines for the first two quarters of CY2010 and (b) Wall Street

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research estimates for the last two quarters of CY2010 published after the announcement of the disposition of the Non-Core product lines.

The following table presents the Company s implied EV-to-revenue and EV-to-EBITDA, and the corresponding multiples for the comparable companies, for the periods reviewed by RBC in connection with its analysis:

	Comparable Companies				Phoenix Pro Forma Business Management Projections (As Implied by the Merger per Share Price)	Phoenix Pro Forma Business Consensus Estimates(1) (As Implied by the Merger per Share Price)
	Min.	Median	Mean	Max.		
EV as a multipl STYLE="width: 1%; text-align: left">$	422,469					
2019		844,938				
2020		715,352				
2021		715,352				
2022		715,352				

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ADMA BIOLOGICS, INC. AND SUBSIDIARIES

NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation are summarized as follows:

	June 30, 2018	December 31, 2017
Manufacturing and laboratory equipment	$7,258,395	$ 7,148,405
Office equipment and computer software	1,557,723	1,086,756
Furniture and fixtures	1,136,623	1,136,623
Construction in process	1,072,099	738,093
Leasehold improvements	1,650,029	1,642,903
Land	4,339,441	4,339,441
Buildings	15,660,559	15,660,559
	32,674,869	31,752,780
Less: Accumulated depreciation	(2,337,584)	(1,285,922)
	$30,337,285	$ 30,466,858

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the asset's estimated useful life. Land is not depreciated. The buildings were assigned a useful life of 30 years. Property and equipment other than land and buildings have useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the lesser of the lease term or their estimated useful lives.

The Company recorded depreciation expense on property and equipment for the three and six months ended June 30, 2018 of $0.6 million and $1.3 million, respectively, which includes $0.1 million and $0.2 million, respectively, of depreciation expense on the plasma assets to be transferred (see Note 3). Depreciation expense for the three and six months ended June 30, 2017 was $0.1 million and $0.3 million, respectively.

9. RELATED PARTY TRANSACTIONS

The Company leases an office building and equipment from Areth, LLC ("Areth") pursuant to a shared services agreement on a month-to-month basis. Monthly rent on this facility is $10,000. Rent expense under this agreement for the three and six months ended June 30, 2018 was $30,000 and $60,000, respectively. Rent expense for the three and six months ended June 30, 2017 was $48,000 and $96,000, respectively. Areth is a company controlled by Dr. Jerrold

B. Grossman, the Company's Vice Chairman of the Board, and Adam Grossman, the Company's President and Chief Executive Officer.

As part of the Biotest Transaction, the Company issued a $15.0 million subordinated note payable to Biotest (see Note 4), and recognized interest expense on this note for the three and six months ended June 30, 2018 in the amount of $0.2 and $0.5 million, respectively. Interest expense on this note for the three and six months ended June 30, 2017 was $0.1 million.

For the three and six months ended June 30, 2018, and for the three and six months ended June 30, 2017, the Company recognized revenues under its out-licensing agreements with Biotest of approximately $36,000 and $71,000, respectively. Deferred revenue of $2.6 million and $2.7 million as of June 30, 2018 and December 31, 2017, respectively, is related to these agreements.

Biotest is the Company's largest customer for the sale of normal source plasma. Plasma sales to Biotest for the three and six months ended June 30, 2018 and 2017 were $2.5 million and $4.8 million, respectively. For the three and six months ended June 30, 2017, plasma sales to Biotest were $2.4 million and $4.5 million, respectively. Accounts receivable includes $1.0 million and $1.2 million due from Biotest as of June 30, 2018 and December 31, 2017, respectively. Additionally, Biotest is a supplier of plasma to ADMA. For the three and six months ended June 30, 2018, the Company purchased $0.6 million and $0.8 million, respectively, of plasma from Biotest. Plasma purchases from Biotest for the three and six months ended June 30, 2017 were $0.1 million and $0.3 million, respectively. Included in accounts payable is $0.3 million and $0.1 million due to Biotest as of June 30, 2018 and December 31, 2017, respectively. The following table summarizes the related party balances with Biotest:

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ADMA BIOLOGICS, INC. AND SUBSIDIARIES

NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sale and purchase of plasma				
Product revenue	$2,473,777	$2,362,059	$4,802,068	$4,454,274
Purchases	639,771	141,754	834,789	324,140
License revenue	35,709	35,709	71,417	71,417
Interest expense	225,000	60,000	450,000	60,000

	June 30, 2018	December 31, 2017
Accounts receivable	$1,045,388	$1,245,677
Accounts payable	297,490	139,939
Accrued expenses	225,286	314,820
Note payable, net of discount	14,857,908	14,842,396
Accrued interest	62,500	65,000
Deferred revenue	2,618,616	2,690,033

In connection with the acquisition of the Biotest Assets, the Company entered into a Transition Services Agreement with BPC pursuant to which each of the Company and BPC agreed to provide transition services to the other party, including services related to finance, human resources, information technologies, leasing of equipment and clinical and regulatory services for a period of up to 24 months after the June 6, 2017 closing date, as well as agreements to lease certain laboratory space within the Boca Facility to BPC for a period of up to 24 months after the closing date of the acquisition transaction. As of June 30, 2018 and December 31, 2017, $0.2 million and $0.3 million, respectively, was payable by the Company to BPC for services rendered and expenses incurred on behalf of the Company related to these agreements. This amount is reflected in accrued expenses in the accompanying consolidated balance sheets. The services component of amounts billed to the Company by BPC for the three months and six months ended June 30, 2018 was not material to the Company’s consolidated financial statements.

Under the terms of the acquisition of the Biotest Assets, the Company will transfer ownership of two plasma collection centers to BPC on January 1, 2019. The Company has estimated the fair value of these assets to be $12.6 million, and the obligation to transfer these assets to Biotest is reflected in non-current liabilities in the accompanying consolidated balance sheet as of June 30, 2018 and December 31, 2017.

10. COMMITMENTS AND CONTINGENCIES

General Legal Matters

From time to time the Company is or may become subject to certain legal proceedings and claims arising in connection with the normal course of its business. Management does not expect that the outcome of any such claims or actions will have a material effect on the Company's liquidity, results of operations or financial condition.

Contract manufacturing agreement

In connection with the acquisition of the Biotest Assets, the Company acquired all of the rights and assumed all of the obligations under an existing agreement with a third party related to the fractionation of plasma provided by the third party. This contract, as amended from time to time, maintains minimum production requirements as well as a payment due to the counterparty to the contract of $1.5 million per year if the minimum volume is not manufactured in that year and no other breach or default under the contract has occurred.

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ADMA BIOLOGICS, INC. AND SUBSIDIARIES

NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Post-marketing commitments

In connection with the approval of the BLA for BIVIGAM, on December 19, 2012 Biotest committed to perform two additional post-marketing studies, a pediatric study to evaluate the efficacy and safety of BIVIGAM in children and adolescents, and a post-authorization safety study to further assess the potential risk of hypotension and hepatic and renal impairment in BIVIGAM-treated patients with primary humoral immunodeficiency. These studies are still pending completion, ADMA has assumed the remaining obligations, and the costs of the studies will be expensed as incurred as research and development expenses. The Company currently expects both studies to be completed by the end of 2021. However, the timing of the completion of these studies is dependent upon the availability of BIVIGAM and the completion of the planned manufacturing process improvements.

Other commitments

In the normal course of business, the Company enters into contracts that contain a variety of indemnifications with its employees, licensors, suppliers and service providers. Further, the Company indemnifies its directors and officers who are, or were, serving at the Company's request in such capacities. The Company's maximum exposure under these arrangements is unknown as of June 30, 2018. The Company does not anticipate recognizing any significant losses relating to these arrangements.

11. SEGMENTS

The Company is engaged in the manufacture, marketing and development of specialty plasma-derived biologics. The Company's operating segments reflect the consummation of the Biotest Transaction on June 6, 2017 (see Notes 1 and 3), and the nature of its operations subsequent to the close of the transaction. The Company's ADMA BioManufacturing segment reflects the Company's immune globulin manufacturing and development operations in Boca Raton, FL, acquired on June 6, 2017 (see Note 3). The Plasma Collection Centers segment consists of two FDA-licensed source plasma collection facilities located in Georgia, as well as a third collection center which opened in December 2017 and for which an FDA license is pending. The Corporate segment includes general and administrative overhead expenses. The Company defines its segments as those business units whose operating results are regularly reviewed by the chief operating decision maker ("CODM") to analyze performance and allocate resources. The Company's CODM is its President and Chief Executive Officer. Summarized financial information concerning reportable segments is shown in the following tables:

Three Months Ended June 30, 2018

	ADMA BioManufacturing	Plasma Collection Centers	Corporate	Consolidated
Revenues	$ 2,144,724	$2,476,117	$35,709	$4,656,550
Cost of product revenue	7,965,681	1,679,981	—	9,645,662
Loss from operations	(9,918,243)	(941,993)	(2,557,145)	(13,417,381)
Interest and other expense, net	(237,161)	(436)	(1,092,853)	(1,330,450)
Net loss	(10,155,404)	(942,429)	(3,649,998)	(14,747,831)
Total assets	54,297,915	5,438,645	58,015,432	117,751,992
Depreciation and amortization expense	639,300	200,598	6,001	845,899

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ADMA BIOLOGICS, INC. AND SUBSIDIARIES

NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended June 30, 2018

	ADMA BioManufacturing	Plasma Collection Centers	Corporate	Consolidated
Revenues	$ 3,810,967	$4,816,172	$71,417	$8,698,556
Cost of product revenue	18,663,323	3,225,087	—	21,888,410
Loss from operations	(22,642,709)	(1,980,817)	(5,326,358)	(29,949,884)
Interest and other expense, net	(477,214)	(871)	(2,142,004)	(2,620,089)
Net loss	(23,119,923)	(1,981,688)	(7,468,362)	(32,569,973)
Capital expenditures	591,665	454,710	—	1,046,375
Depreciation and amortization expense	1,271,131	389,512	14,796	1,675,439

Three Months Ended June 30, 2017

	ADMA BioManufacturing	Plasma Collection Centers	Corporate	Consolidated
Revenues	$ 539,223	$2,824,469	$35,709	$3,399,401
Cost of product revenue	2,498,856	1,835,163	—	4,334,019
Loss from operations	(3,118,300)	(610,864)	(4,672,704)	(8,401,868)
Interest and other expense, net	(61,987)	—	(572,640)	(634,627)
Net loss	(3,180,287)	(610,864)	(5,245,344)	(9,036,495)
Total assets	65,913,839	2,101,977	16,623,437	84,639,253
Depreciation and amortization expense	158,398	103,703	15,031	277,132

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ADMA BIOLOGICS, INC. AND SUBSIDIARIES

NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended June 30, 2017

	ADMA BioManufacturing	Plasma Collection Centers	Corporate	Consolidated
Revenues	$ 539,223	$5,417,632	$71,417	$6,028,272
Cost of product revenue	2,498,856	3,451,450	—	5,950,306
Loss from operations	(3,118,300)	(1,113,464)	(10,107,107)	(14,338,871)
Interest and other expense, net	(61,987)	—	(1,172,600)	(1,234,587)
Net loss	(3,180,287)	(1,113,464)	(11,279,707)	(15,573,458)
Depreciation and amortization expense	158,398	207,343	29,453	395,194
Capital expenditures	—	81,294	15,263	96,557

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental cash flow information for the six months ended June 30, 2018 and 2017 is as follows:

	2018	2017
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$2,145,005	$833,515
Noncash Financing and Investing Activities:		
Equipment acquired reflected in accounts payable and accrued liabilities	$183,233	$—
Equipment acquired through capital lease	$165,644	$—
Equipment acquired through related party payable	$—	$344,610
Assets acquired through the issuance of common stock and liabilities assumed	$—	$60,161,629

13. SUBSEQUENT EVENTS

On July 20, 2018, in connection with the U.S. Government required divestiture of all of BPC's U.S. assets in connection with the sale of Biotest AG to CREAT Group Corporation, Biotest AG, BPC, ADMA BioManufacturing and the Company entered into an Assignment and Assumption Agreement whereby BPC transferred to Biotest AG all of its obligations, rights, title and interest in the subordinated loan agreement, dated as of June 6, 2017, between BPC and the Company, under which the Company borrowed $15.0 million from BPC (see Note 4).

On July 24, 2018, pursuant to the Biotest Transfer Agreement (see Note 3) and an Assignment and Assumption Agreement, by and among Biotest AG, BPC and the Biotest Trust, BPC transferred its remaining 10,109,534 shares of the Company's common stock to the Biotest Trust. In connection with this transfer, the Biotest Trust agreed to be bound by all obligations of, and will have all of the remaining rights of BPC under, that certain: (i) Stockholders Agreement, dated as of June 6, 2017, by and between the Company and BPC, as amended by the Biotest Transfer Agreement; and (ii) Registration Rights Agreement, dated as of June 6, 2017, by and between the Company and BPC, as amended by the Biotest Transfer Agreement. Like BPC, the Biotest Trust will be subject to compliance with U.S. securities laws by virtue of ownership of the Company's common stock.

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

The following discussion, which refers to our historical results, should be read in conjunction with the other sections of this Quarterly Report on Form 10-Q, including "Risk Factors" and our unaudited consolidated financial statements and the notes thereto appearing elsewhere herein, and in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our Annual Report on Form 10-K for the year ended December 31, 2017, filed on March 29, 2018 (the "2017 10-K"). The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout or referenced within this Quarterly Report on Form 10-Q. See "Special Note Regarding Forward-Looking Statements." Our actual results may differ materially.

OVERVIEW

Our Business

ADMA Biologics, Inc. (the "Company", "ADMA", "we", "us" or "our") is a vertically integrated commercial biopharmaceutic company that manufactures, markets and develops specialty plasma-derived biologics for the treatment of Primary Immune Deficiency Disease ("PIDD"), and the prevention and treatment of certain infectious diseases. Our targeted patient populations include immune-compromised individuals who suffer from an underlying immune deficiency disorder or who may be immune-suppressed for medical reasons. We currently have two marketed products: Nabi-HB, indicated for the treatment of acute exposure to blood containing Hepatitis B surface antigen ("HBsAg"); and BIVIGAM, indicated for the treatment of primary humoral immunodeficiency. We are also developing a pipeline of plasma-derived therapeutics, including our lead pipeline product candidate, RI-002, for the treatment of PIDD. Our products and product candidates are intended to be used by physician specialists focused on caring for immune-compromised patients with or at risk for certain infectious diseases. Through our wholly-owned subsidiary, ADMA Bio Centers Georgia, Inc. ("ADMA BioCenters"), we operate two U.S. Food and Drug Administration (the "FDA")-licensed, German Health Authority ("GHA") and Korean Ministry of Food and Drug Safety ("KMFDS") certified source plasma collection facilities located in the United States.

On June 6, 2017, we completed the acquisition of certain assets (the "Biotest Assets") of the Therapy Business Unit ("BTBU") of Biotest Pharmaceuticals Corporation ("BPC" and, together with Biotest AG, "Biotest"), which include two FDA-licensed products, Nabi-HB (Hepatitis B Immune Globulin, Human) and BIVIGAM (Immune Globulin Intravenous, Human), and a plasma fractionation facility located in Boca Raton, FL (the "Boca Facility") (the "Biotest Transaction"). The Boca Facility is FDA-licensed and certified by the GHA. In addition to the manufacture and sale of Nabi-HB and BIVIGAM, we also provide contract manufacturing services for certain historical clients, including the sale of intermediate by-products. Immediately following the acquisition, the Biotest Assets were contributed into our subsidiary, ADMA BioManufacturing, LLC ("ADMA BioManufacturing").

On May 14, 2018, we, ADMA BioManufacturing and ADMA BioCenters entered into a Share Transfer, Amendment and Release Agreement with BPC, Biotest AG, Biotest US Corporation and The Biotest Divestiture Trust (the "Biotest Trust") (the "Biotest Transfer Agreement") whereby BPC transferred to us, for no cash consideration, 8,591,160 shares of our non-voting common stock previously issued to BPC in connection with the Biotest Transaction and representing 100% of our issued and outstanding non-voting common stock (the "NV Biotest Shares"). Immediately upon transfer of the NV Biotest Shares to us, the shares were retired and are no longer available for issuance. The retired NV Biotest Shares comprised approximately 19% of our total outstanding common stock as of May 14, 2018. In exchange for the transfer and retirement of the NV Biotest Shares, we have (i) granted Biotest and its successors and assigns a release from all potential past, present and future indemnity claims arising under that certain Master Purchase and Sale Agreement, dated as of January 21, 2017 (as amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"), with BPC, and for certain limited purposes set forth in the Purchase Agreement, Biotest AG and Biotest US (together with Biotest AG, the "Biotest Guarantors"), and (ii) relinquished our rights to repurchase our two FDA-approved plasma collection centers required to be transferred to BPC on January 1, 2019. In addition, pursuant to the Biotest Transfer Agreement, BPC waived and terminated its rights to name a director and an observer to our Board of Directors (the "Board"). As BPC has made public statements regarding the U.S. Government required divestiture of all of BPC's U.S. assets in connection with the sale of Biotest AG to CREAT Group Corporation, pursuant to the Biotest Transfer Agreement BPC, on July 24, 2018 BPC transferred its remaining 10,109,534 shares of the Company's common stock, $0.0001 par value per share (the "Common Stock"), to the Biotest Trust, and the Biotest Trust has agreed to be bound by all obligations of and will have all of the remaining rights of BPC under that certain (i) Stockholders Agreement dated as of June 6, 2017, by and between us and BPC, as amended by the Biotest Transfer Agreement, and (ii) Registration Rights Agreement, dated as of June 6, 2017, by and between us and BPC, as amended by the Biotest Transfer Agreement. Furthermore, subject to the terms contained in the Biotest Transfer Agreement, for a 90-day period following the date of the transfer of the remaining ADMA shares to the Biotest Trust, the Biotest Trust has granted us a right of first negotiation for the purchase of the remaining shares of Common Stock held by the Biotest Trust.

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Our Marketed Products

Nabi-HB

Nabi-HB is a hyperimmune globulin that is rich in antibodies to the Hepatitis B virus. Nabi-HB is a purified human polyclonal antibody product collected from plasma donors who have been previously vaccinated with a Hepatitis B vaccine. Nabi-HB is indicated for the treatment of acute exposure to blood containing HBsAg, prenatal exposure to infants born to HBsAg-positive mothers, sexual exposure to HBsAg-positive persons and household exposure to persons with acute Hepatitis B virus infection. Hepatitis B is a potentially life-threatening liver infection caused by the Hepatitis B virus. It is a major global health problem. It can cause chronic infection and puts people at high risk of death from cirrhosis and liver cancer. Nabi-HB has a well-documented record of long-term safety and effectiveness since its initial market introduction. FDA approval for Nabi-HB was received on March 24, 1999. Biotest acquired Nabi-HB from Nabi Biopharmaceuticals in 2007. Under our leadership, production of Nabi-HB at the Boca Facility resumed during the third quarter of 2017. Subsequent to the end of 2017, we received authorization from the FDA for the release of our first commercial lot of Nabi-HB and also resumed commercial sales in the United States during the first quarter of 2018.

BIVIGAM

BIVIGAM is an intravenous immune globulin indicated for the treatment of primary humoral immunodeficiency. This includes, but is not limited to, agammaglobulinemia, common variable immunodeficiency, Wiskott-Aldrich syndrome and severe combined immunodeficiency. These primary immunodeficiencies (“PIs”) are a group of genetic disorders. Initially thought to be very rare, it is now believed that as many as one in every 1,200-2,000 people has some form of PI. BIVIGAM contains a broad range of antibodies similar to those found in normal human plasma. These antibodies are directed against bacteria and viruses, and help to protect PI patients against serious infections. BIVIGAM is a purified, sterile, ready-to-use preparation of concentrated Immunoglobulin G (“IgG”) antibodies. Antibodies are proteins in the human immune system that work to defend against disease. FDA approval for BIVIGAM was received on December 19, 2012, and sales commenced in the first quarter of 2013. In December 2016, BPC temporarily suspended the commercial production of BIVIGAM in order to focus on the completion of planned improvements to the manufacturing process. We resumed production of BIVIGAM utilizing our optimized intravenous immunoglobulin (“IVIG”) manufacturing process with two conformance lots in the fourth quarter of 2017 and a third conformance lot in the first quarter of 2018. We filed a Prior Approval Supplement (the “PAS”) with the FDA during the first half of 2018 to include the ADMA optimization improvements for BIVIGAM, and the PAS was acknowledged for receipt by the FDA in July 2018, with a target action date of October 25, 2018 under the Prescription Drug User Fee Act. The BIVIGAM inventory produced in the fourth quarter of 2017 and the first quarter of 2018 has been used in connection with, and as the basis for, the prepared and submitted PAS, which was accepted for review by the FDA in July 2018. Upon FDA approval of the PAS, we anticipate being in a position to relaunch BIVIGAM prior to or during the first quarter of 2019, at which time we believe the conformance lots currently in inventory can be labeled and will be available for commercial sale. The anticipated relaunch of BIVIGAM is dependent upon the timing of certain FDA

decisions, production slots available with our contract fill/finish provider as well as other commercial requirements and regulatory factors.

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Our Lead Pipeline Product Candidate – RI-002

We are currently developing our lead pipeline product candidate, RI-002, for the treatment of PIDD, and have completed a pivotal Phase III clinical trial, which met the primary endpoint of no Serious Bacterial Infections reported. Secondary efficacy endpoints further demonstrated the benefits of RI-002 in the low incidence of infection, therapeutic antibiotic use, days missed from work/school/daycare, and unscheduled medical visits and hospitalizations. RI-002 is derived from human plasma blended from normal donors and from donors tested to have high levels of neutralizing titers to Respiratory Syncytial Virus ("RSV"). RI-002 is manufactured using a process known as fractionation, which purifies IgG from this blended plasma pool resulting in a final IVIG product enriched with naturally occurring polyclonal anti-pathogen antibodies, such as streptococcus pneumonia, H. influenza type B, Cytomegalovirus, measles and tetanus. We use our proprietary RSV microneutralization assay to test for standardized levels of neutralizing antibodies to RSV in the final drug product.

Prior to the closing of the Biotest Transaction, BTBU was our third-party manufacturer for RI-002. In the third quarter of 2015, the FDA accepted for review our Biologics License Application ("BLA") for RI-002 (the "RI-002 BLA") for the treatment of PIDD. In July 2016, the FDA issued a Complete Response Letter (the "CRL"), which reaffirmed the issues set forth in the November 2014 Warning Letter that had been issued by the FDA to Biotest related to certain issues identified at the Boca Facility (the "Warning Letter"), but did not cite any concerns with the clinical safety or efficacy data for RI-002 submitted in our RI-002 BLA, nor did the FDA request any additional clinical studies be completed prior to FDA approval of RI-002. The FDA identified in the CRL, among other things, certain outstanding inspection issues and deficiencies related to Chemistry, Manufacturing and Controls and Good Manufacturing Practices at the Boca Facility and at certain of our third-party vendors, and requested documentation of corrections for a number of these issues. The FDA indicated in the CRL that it cannot grant final approval of our RI-002 BLA until, among other things, these deficiencies are resolved. Upon the completion of the Biotest Transaction, we gained control over the regulatory, quality, general operations and drug substance manufacturing process and our highest priority has been to remediate the outstanding compliance issues that were identified at the Boca Facility in the Warning Letter. We have been working with a consulting firm consisting of quality management systems and biologics production subject matter experts in order to improve the FDA inspection classification relative to the Warning Letter compliance issues as indicated in the CRL. Based on official communication received in an Establishment Inspection Report from the FDA in July 2018, we have determined that the April 2018 compliance inspection of the Boca Facility has been successfully closed out, and we anticipate that we will be in a position to respond to the CRL and resubmit the RI-002 BLA in the second half of 2018. During the first quarter of 2018, we produced three RI-002 conformance lots using the optimized IVIG manufacturing process. Upon FDA approval of the RI-002 BLA, we anticipate that the RI-002 conformance batches currently in inventory will be available for commercial sale no earlier than the first half of 2019.

Plasma Collection Facilities

ADMA BioCenters, our wholly-owned subsidiary, currently operates three source plasma collection facilities located in the United States, two of which are FDA-licensed, GHA and KMFDS-certified. Our third collection center is

currently under development and we submitted a BLA seeking FDA licensure in December 2017. We anticipate receiving FDA licensure of our third collection center in the fourth quarter of 2018.

ADMA BioCenters provides us with a portion of our blood plasma for the manufacture of our products and product candidates. A typical plasma collection center, such as those operated by ADMA BioCenters, can collect approximately 30,000 to 50,000 liters of source plasma annually, which may be sold for different prices depending upon the type of plasma, quantity of purchase and market conditions at the time of sale. Plasma collected from ADMA BioCenters' facilities that is not used to manufacture our products or product candidates is sold to third-party customers in the United States, and other locations where we are approved globally under supply agreements or in the open “spot” market.

As part of the purchase price to acquire the Biotest Assets, we agreed to transfer ownership of two of our plasma collection facilities to BPC on January 1, 2019. We completed the construction of our third plasma collection facility, filed our BLA with the FDA and initiated collections for this facility in December 2017. We anticipate FDA approval of our third plasma collection facility to occur during the second half of 2018.

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RESULTS OF OPERATIONS

Critical Accounting Policies and Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate these estimates and assumptions, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates.

Some of the estimates and assumptions we have to make under U.S. GAAP require difficult, subjective and/or complex judgments about matters that are inherently uncertain and, as a result, actual results could differ from those estimates. Due to the estimation processes involved, the following summarized accounting policies and their application are considered to be critical to understanding our business operations, financial condition and results of operations. For a detailed discussion on the application of these and our other accounting policies, see Note 2 to the Consolidated Financial Statements included in the 2017 10-K.

Revenue Recognition

Revenues for the three and six months ended June 30, 2018 are comprised of (i) revenues from Nabi-HB, (ii) product revenues from the sale of human plasma collected from our plasma collection centers segment; and (iii) license and other revenues primarily attributable to the out-licensing of RI-002 to Biotest to market and sell this product in Europe and selected countries in North Africa and the Middle East. Biotest has provided us with certain services and financial payments in accordance with the related Biotest license agreement and is obligated to pay us certain amounts in the future if certain milestones are achieved. Deferred revenue is amortized into income for a period of approximately 22 years, the term of the Biotest license agreement.

Revenue from the sale of Nabi-HB is recognized when the product reaches the customer's destination. Nabi-HB revenue is recorded net of estimated customer prompt pay discounts and contractual allowances in accordance with managed care agreements, including wholesaler chargebacks, rebates, customer returns and other wholesaler fees.

Product revenues from the sale of human plasma collected at our plasma collection centers are recognized at the time of transfer of title and risk of loss to the customer, which generally occurs at the time of delivery.

For the six months ended June 30, 2018, three customers represented an aggregate of 90% of the Company's consolidated revenues, with BPC representing 55% of the Company's consolidated revenues, Amerisource Bergen representing 21% of the Company's consolidated revenues and McKesson Corporation representing 14% of the Company's consolidated revenues. For the six months ended June 30, 2017, sales to BPC represented 75% of the Company's consolidated revenues, and sales to SK Plasma Co., Ltd. represented 15% of the Company's consolidated revenues.

Accounts Receivable

Accounts receivable are reported at realizable value, net of allowances for contractual credits and doubtful accounts, which are recognized in the period the related revenue is recorded. At June 30, 2018, four customers represented an aggregate of 90% of our total accounts receivable, with Amerisource Bergen, BPC, Sanofi Pasteur S.A. ("Sanofi"), and McKesson Corporation representing approximately 30%, 25%, 24% and 11%, respectively, of our consolidated accounts receivable. At December 31, 2017, Sanofi and BPC represented 48% and 30%, respectively, of our total accounts receivable.

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Cost of Product Revenue

Cost of product revenue includes expenses related to process development as well as scientific and technical operations when these operations are attributable to marketed products. When the activities of these operations are attributable to new products in development, the expenses are classified as research and development expenses. Expenses associated with remediating the issues identified in the Warning Letter for the three and six months ended June 30, 2018 of approximately $0.5 million and $1.3 million, respectively, are expensed as incurred and are reflected in cost of product revenue. In addition, for the six months June 30, 2018, all operating expenses associated with the Boca Facility, other than the limited Nabi-HB production that was capitalized into inventory, have been expensed as incurred since the date of the Biotest Transaction.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the grantee's requisite vesting period on a straight-line basis. For the purpose of valuing stock options granted to our employees, directors and officers, we use the Black-Scholes option pricing model. During the three and six months ended June 30, 2018, we granted options to purchase an aggregate of 134,200 and 982,900 shares of Common Stock, respectively, to our directors and employees, and during the six months ended June 30, 2018, we granted options to purchase 20,000 shares of Common Stock to a third party service provider. During the three and six months ended June 30, 2017, we granted options to purchase an aggregate of 1,674,595 and 1,856,595 shares of Common Stock, respectively, to our directors and employees.

Research and Development Expenses

Our research and development ("R&D") costs are expensed as incurred, including costs associated with (i) planning and conducting clinical trials; (ii) drug product manufacturing for RI-002, including the cost of plasma, plasma storage and transportation costs; (iii) quality testing, validation, regulatory consulting and filing fees; and (iv) employees' compensation expenses directly related to R&D activities.

Impairment of Long-Lived Assets

We assess the recoverability of our long-lived assets, which include property and equipment and definite-lived intangible assets, whenever significant events or changes in circumstances indicate impairment may have occurred. If

indicators of impairment exist, projected future undiscounted cash flows associated with the asset are compared to its carrying amount to determine whether the asset's value is recoverable. Any resulting impairment is recorded as a reduction in the carrying value of the related asset in excess of fair value and a charge to operating results. For the three and six months ended June 30, 2018 and 2017, we determined that there was no impairment of our long-lived assets.

Goodwill is not amortized, but is assessed for impairment on an annual basis or more frequently if impairment indicators exist. We have the option to perform a qualitative assessment of goodwill to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount, including goodwill and other intangible assets. If we were to conclude that this is the case, then we must perform a goodwill impairment test by comparing the fair value of the reporting unit to its carrying value. An impairment charge is recorded to the extent the reporting unit's carrying value exceeds its fair value, with the impairment loss recognized not to exceed the total amount of goodwill allocated to that reporting unit. We did not recognize any impairment charges related to goodwill for the six months ended June 30, 2018.

Recent Accounting Pronouncements

On April 5, 2012, the Jumpstart Our Business Startups Act (the "JOBS Act") was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. We could be an emerging growth company until December 31, 2018, which is the last day of the fiscal year following the fifth anniversary of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"). However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our total annual gross revenues exceed $1.07 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we would cease to be an emerging growth company prior to the end of such five-year period. As an "emerging growth company," we may, under Section 7(a)(2)(B) of the Securities Act, delay adoption of new or revised accounting standards applicable to public companies until such standards would otherwise apply to private companies. We may take advantage of this extended transition period until the first to occur of the date that we (i) are no longer an "emerging growth company" or (ii) affirmatively and irrevocably opt out of this extended transition period. We have elected to take advantage of the benefits of this extended transition period. Our consolidated financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a)(2)(B), upon issuance of a new or revised accounting standard that applies to our consolidated financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard. As an emerging growth company, we are also exempt from the requirement to have our independent auditors provide an attestation report on our internal control over financial reporting.

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In May 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017-09, *Modification Accounting for Share-Based Payment Arrangements*, which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718, *Compensation – Stock Compensation*. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. Adoption of this new guidance in 2018 did not have a material impact on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. ASU 2016-02 requires modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. We are currently evaluating the impact that the standard may have on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued new guidance related to revenue recognition, ASU 2014-09, *Revenue from Contracts with Customers* ("ASC 606"), which outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. The new guidance requires a company to recognize revenue upon transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. ASC 606 defines a five-step approach for recognizing revenue, which may require a company to use more judgment and make more estimates than under the current guidance. The new guidance became effective in calendar year 2018. Two methods of adoption are permitted: (a) full retrospective adoption, meaning the standard is applied to all periods presented; or (b) modified retrospective adoption, meaning the cumulative effect of applying the new guidance is recognized at the date of initial application as an adjustment to the opening retained earnings balance.

In March 2016, April 2016 and December 2016, the FASB issued ASU No. 2016-08, *Revenue From Contracts with Customers (ASC 606): Principal Versus Agent Considerations*, ASU No. 2016-10, *Revenue From Contracts with Customers (ASC 606): Identifying Performance Obligations and Licensing*, and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers*, respectively, which further clarify the implementation guidance on principal versus agent considerations contained in ASU No. 2014-09. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers*, narrow-scope improvements and practical expedients that provide clarification on assessing the collectability criterion, presentation of sales taxes, measurement date for non-cash consideration and completed contracts at transition. These standards became effective for the Company in the first quarter of 2018.

We adopted the new standard and related updates effective January 1, 2018, using the modified retrospective method of adoption. Adoption of the new revenue recognition guidance did not have a material impact on our condensed consolidated financial statements.

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Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

As a result of the Biotest Transaction, our operating results include the results of BTBU effective as of June 6, 2017. Therefore, our results of operations for the three and six months ended June 30, 2018 are not comparable to the results of operations for the three and six months ended June 30, 2017. The following table presents a summary of the changes in our results of operations for the three months ended June 30, 2018 compared to the three months ended June 30, 2017:

	Three Months Ended June 30,		Increase/
	2018	2017	(Decrease)
Revenues	$4,656,550	$3,399,401	$1,257,149
Cost of product revenue (exclusive of amortization expense shown below)	9,645,662	4,334,019	5,311,643
Gross loss	(4,989,112)	(934,618)	(4,054,494)
Research and development expenses	1,472,100	1,358,409	113,691
Plasma center operating expenses	1,738,128	1,600,170	137,958
Amortization of intangibles	211,234	73,021	138,213
Selling, general and administrative expenses	5,006,807	4,435,650	571,157
Loss from operations	(13,417,381)	(8,401,868)	(5,015,513)
Interest expense	(1,359,188)	(642,485)	(716,703)
Other income, net	28,738	7,858	20,880
Net loss	$(14,747,831)	$(9,036,495)	$(5,711,336)

Revenues

We recorded total revenues of $4.7 million during the three months ended June 30, 2018, as compared to $3.4 million during the three months ended June 30, 2017, an increase of $1.3 million, or approximately 37%. The increase is due to revenue attributable to the assets acquired in the Biotest Transaction of $2.1 million for the three months ended June 30, 2018, as compared to $0.5 million for the three months ended June 30, 2017, partially offset by a decrease in product revenue attributable to our plasma collection centers. The $0.3 million decrease in revenues from this segment is due to increased competition from other plasma centers resulting in a decrease in donor collections.

Cost of Product Revenue

Cost of product revenue was $9.6 million for the three months ended June 30, 2018, as compared to $4.3 million for the three months ended June 30, 2017, an increase of $5.3 million. The increase is mainly due to a $4.4 million increase in unabsorbed manufacturing costs related to the Boca Facility, which includes $0.5 million of third-party consultant fees pertaining to the remediation efforts in response to the Warning Letter and reflects a full fiscal quarter of activity in 2018 related to the Boca Facility. In addition, cost of product revenue related to the sales and production Nabi-HB increased by $0.9 million.

Research and Development Expenses

R&D expenses totaled $1.5 million for the three months ended June 30, 2018, as compared to $1.4 million for the three months ended June 30, 2017. The increase is mainly due to $0.2 million of increased testing expense related to the RI-002 conformance lots produced earlier in 2018, partially offset by a $0.1 million decrease in clinical trial expenses. We expect our R&D costs to increase further over the second half of 2018 as we seek to refile the RI-002 BLA.

Plasma Center Expenses

Plasma center expenses were $1.7 million for the three months ended June 30, 2018, as compared to $1.6 million for the three months ended June 30, 2017. Plasma center operating expenses consist of: general and administrative plasma center costs; overhead comprised of rent, maintenance, utilities, wages, stock-based compensation and benefits for center staff; plasma collection supplies, plasma transportation and storage (off-site); advertising and promotion expenses; and computer software fees related to donor collections. The increase in plasma center expenses is mainly attributable to the opening of our third plasma center in Kennesaw, GA in December 2017.

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Amortization of Intangibles

Amortization expense pertains to the amortization of intangible assets acquired in the Biotest Transaction (see Note 3 to the consolidated financial statements). Amortization expense reflects three months of expense in 2018 and one month of expense in 2017 as the Biotest Assets were acquired in June 2017.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $5.0 million for the three months ended June 30, 2018, an increase of $0.6 million from the three months ended June 30, 2017. The increase was primarily due to increased salaries, benefits and other employee related costs of approximately $1.5 million, primarily due to increased headcount resulting from the Biotest Transaction, and an increase in insurance expense of approximately $0.4 million, partially offset by $1.2 million in non-recurring Biotest Transaction costs in 2017.

Loss from Operations

Our operating loss was $13.4 million for the three months ended June 30, 2018, as compared to $8.4 million for the three months ended June 30, 2017. The increase in operating loss was mainly due to the $5.6 million increase in cost of product revenue and the increases in R&D expenses, plasma center expenses, SG&A expenses and amortization expense on intangible assets, partially offset by the $1.3 million increase in total revenues.

Interest Expense

Interest expense was $1.4 million for the three months ended June 30, 2018, as compared to $0.6 million for the three months ended June 30, 2017. The increase is due to higher outstanding debt in 2018 resulting from the refinancing of our senior debt in the fourth quarter of 2017 (see "Liquidity and Capital Resources") and the $15.0 million note issued to BPC in June 2017, as well as the increase in the interest rate on our senior debt.

Net Loss

Our net loss was $14.7 million for the three months ended June 30, 2018, as compared to $9.0 million for the three months ended June 30, 2017, an increase of $5.7 million, mainly due to the increase in operating loss and, to a lesser extent, the increase in interest expense.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

The following table presents a summary of the changes in our results of operations for the six months ended June 30, 2018 compared to the six months ended June 30, 2017:

	Six Months Ended June 30,		Increase/
	2018	2017	(Decrease)
Revenues	$8,698,556	$6,028,272	$2,670,284
Cost of product revenue (exclusive of amortization expense shown below)	21,888,410	5,950,306	15,938,104
Gross (loss) profit	(13,189,854)	77,966	(13,267,820)
Research and development expenses	2,753,806	2,551,136	202,670
Plasma center operating expenses	3,571,902	3,079,646	492,256
Amortization of intangibles	422,469	73,021	349,448
Selling, general and administrative expenses	10,011,853	8,713,034	1,298,819
Loss from operations	(29,949,884)	(14,338,871)	(15,611,013)
Interest expense	(2,682,340)	(1,261,013)	(1,421,327)
Other income, net	62,251	26,426	35,825
Net loss	$(32,569,973)	$(15,573,458)	$(16,996,515)

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Revenues

Revenues for the six months ended June 30, 2018 were $8.7 million, as compared to $6.0 million during the six months ended June 30, 2017, an increase of $2.7 million, or approximately 44%. The increase is due to revenue attributable to the assets acquired in the Biotest Transaction of $3.8 million for the six months ended June 30, 2018, as compared to $0.5 million for the six months ended June 30, 2017, partially offset by a decrease in product revenue attributable to our plasma collection centers. The $0.6 decrease in revenues from this segment is due to increased competition from other plasma centers resulting in a decrease in donor collections.

Cost of Product Revenue

Cost of product revenue was $21.9 million for the six months ended June 30, 2018, as compared to $6.0 million for the six months ended June 30, 2017. The increase is mainly attributable to a $10.3 million increase in unabsorbed manufacturing costs related to the Boca Facility in 2018 as compared to 2017, approximately $2.9 million of costs related to the production of RI-002, $1.1 million of costs related to the production of BIVIGAM and a $1.3 million increase in cost of product revenue related to the sales and production Nabi-HB. Unabsorbed manufacturing costs includes approximately $1.3 million of third-party consultant fees pertaining to the remediation efforts in response to the Warning Letter.

Although we expect that the BIVIGAM and RI-002 conformance lots produced in 2018 will ultimately be available for commercial sale, due to uncertainties at the time this inventory was produced surrounding the Warning Letter, the PAS related to improvements in the manufacturing process and the RI-002 BLA that must be filed with and approved by the FDA prior to this inventory being available for commercial sale, we have not capitalized these costs into inventory.

Research and Development Expenses

R&D expenses totaled $2.8 million for the six months ended June 30, 2018, as compared to $2.6 million for the six months ended June 30, 2017. The increase is primarily due to ongoing clinical trial expenses that we were required to assume as part of the Biotest Transaction (see Note 10 to the consolidated financial statements). We expect our R&D costs to increase over the second half of 2018 as we seek to refile the RI-002 BLA.

Plasma Center Expenses

Plasma center expenses were $3.6 million for the six months ended June 30, 2018, as compared to $3.1 million for the six months ended June 30, 2017. The increase is mainly attributable to the opening of our third plasma center in Kennesaw, GA in December 2017.

Selling, General and Administrative Expenses

SG&A expenses were $10.0 million for the six months ended June 30, 2018, an increase of $1.3 million from the six months ended June 30, 2017. The increase was primarily due to increased salaries, benefits and other employee related costs of approximately $3.2 million, primarily due to increased headcount resulting from the Biotest Transaction, and increases in legal and professional fees of $0.7 million, repairs and maintenance expense at the Boca Facility of $0.6 million, insurance expense of approximately $0.5 million and marketing expenses of $0.2 million, partially offset by $3.8 million in non-recurring transaction costs associated with the Biotest Transaction in 2017.

Amortization of Intangibles

Amortization expense was $0.4 million for the six months ended June 30, 2018, as compared to $0.1 million for the six months ended June 30, 2017, and reflects six months of expense in 2018 and one month of expense in 2017.

Loss from Operations

Our operating loss was $29.9 million for the six months ended June 30, 2018, as compared to $14.3 million for the six months ended June 30, 2017. The increase in operating loss was mainly due to the $15.6 million increase in cost of product revenue associated with the Boca Facility and, to a lesser extent, the increases in other operating expenses, partially offset by the $2.7 million increase in total revenues.

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Interest Expense

Interest expense was $2.7 million for the six months ended June 30, 2018, as compared to $1.3 million for the six months ended June 30, 2017. The increase is due to higher outstanding debt in 2018 resulting from the refinancing of our senior debt in the fourth quarter of 2017 and the $15.0 million note issued to BPC in June 2017, as well as the increase in the interest rate on our senior debt.

Net Loss

Our net loss was $32.6 million for the six months ended June 30, 2018, as compared to $15.6 million for the six months ended June 30, 2017, an increase of $17.0 million, which is mainly due to the increase in operating loss and, to a lesser extent, the increase in interest expense.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2018, we had working capital of $66.7 million, including cash and cash equivalents of $55.2 million, and stockholders' equity of $51.8 million, as compared to working capital of $53.7 million, including cash and cash equivalents of $43.1 million, and stockholders' equity of $40.3 million as of December 31, 2017. We have had limited revenue from operations and have incurred an accumulated deficit of $183.3 million since inception. For the six months ended June 30, 2018 and 2017, we had negative cash flows from operations of $31.3 million and $14.2 million, respectively, and for the years ended December 31, 2017 and 2016 we had negative cash flows from operations of $37.3 million and $18.3 million, respectively. We have funded our operations to date primarily from the sale of our equity and debt securities, acquisition proceeds from the Biotest Transaction and loans from our principal stockholders.

We expect to continue to spend substantial amounts on product development, quality assurance, regulatory affairs, procurement of raw material plasma, manufacturing, marketing, sales and conducting clinical trials for our product candidates and purchasing clinical trial materials from our suppliers, some of which may be required by the FDA. We currently anticipate, based upon our projected revenue and expenditures, that our cash, cash equivalents, projected revenue and accounts receivable, along with the $10.0 million we expect to be able to access under the Credit Agreement (as defined below), will be sufficient to fund our operations, as currently conducted, into the second quarter of 2019. In order to have sufficient cash to fund our operations thereafter and to continue as a going concern, we will need to raise additional equity prior to the end of the second quarter of 2019. This time frame may change based upon how quickly we are able to execute on our quality management systems' enhancement plans for the ADMA BioManufacturing operations, commercial manufacturing ramp-up activities and the various financing options

available to us. We currently have no firm commitments for additional financing, and we cannot provide any assurance that we will be able to secure additional financing on terms that are acceptable to us, or at all. Failure to secure any necessary financing in a timely manner and on commercially reasonable terms could have a material adverse effect on our business plan and financial performance and we could be forced to delay or discontinue our product development, clinical trial or commercialization activities, delay or discontinue the approval efforts for any of our potential products, or potentially cease operations. In addition, we could also be forced to reduce or forgo sales and marketing efforts and forgo attractive business opportunities.

Furthermore, if the assumptions underlying our estimated expenses are incorrect, we may have to raise additional capital sooner than anticipated. Because of numerous risks and uncertainties associated with the research and development and potential future commercialization of our product candidates, we are unable to estimate with certainty the amounts of increased capital outlays and operating expenditures associated with our anticipated clinical trials and development activities. Our current estimates may be subject to change as circumstances regarding our business requirements evolve. We may decide to raise capital through public or private equity offerings and such financings may only be available on unattractive terms, resulting in significant dilution of stockholders' interests and, in such event, the value and potential future market price of our Common Stock may decline. We may also decide to obtain additional debt financing or a bank credit facility, subject to the restrictions contained in the Credit Agreement, or to enter into corporate collaboration and licensing arrangements. The sale of additional equity or debt securities, if convertible, could result in dilution to our current stockholders. The incurrence of additional indebtedness would result in increased fixed obligations and could also result in covenants that would restrict our operations or other future financing alternatives.

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Our long-term liquidity depends upon our ability to raise additional capital, fund our research and development and commercial programs and achieve commercial status for our products and product candidates in order to generate sufficient revenues to cover our operating expenses and meet our obligations on a timely basis. We believe that we will continue to incur losses and negative cash flows from operating activities through the foreseeable future. As such, these conditions raise substantial doubt about our ability to continue as a going concern.

On June 18, 2018, we completed an underwritten public offering of 9,623,430 shares of our Common Stock for gross proceeds of $46.0 million. We received net proceeds from this offering, after underwriters' commissions and other offering expenses, of $42.9 million. The net proceeds have been or will be used for (i) for continued remediation and ongoing improvement and enhancements at the Boca Facility, (ii) to submit the PAS for, and relaunch of, BIVIGAM, (iii) to resubmit the RI-002 BLA, (iv) expenses associated with obtaining with FDA approval of ADMA's third plasma collection facility, and (v) for general corporate purposes and other capital expenditures.

On November 13, 2017, we completed an underwritten public offering of 19,523,255 shares of Common Stock for gross proceeds of $42.0 million. Net proceeds from this offering, after payment of underwriting discounts and offering expenses of $2.8 million, were $39.2 million. The proceeds from this offering were used for (i) the purchase of raw material inventory and the ramp-up of our manufacturing capabilities, (ii) continued remediation of the issues identified in the CRL and the Warning Letter and completion of our internal quality management systems overhaul, (iii) capital expenditures for the Boca Facility, (iv) product launch and medical education campaigns, (v) the build-out of our third plasma collection facility, (vi) research and development activities for our plasma collection programs and specialty plasma products, and (vii) working capital needs and general corporate purposes, including expenses associated with improving the FDA inspection classification relative to the Warning Letter, filing the PAS and obtaining marketing clearance for the relaunch of BIVIGAM and refiling the RI-002 BLA.

On October 10, 2017 (the "Marathon Closing Date"), we entered into a Credit Agreement (the "Credit Agreement") with Marathon Healthcare Finance Fund, L.P. ("Marathon" or the "Lender") and Wilmington Trust, National Association, as the administrative agent for the Lender (the "Administrative Agent"). The Credit Agreement provides for a senior secured term loan facility in an aggregate amount of up to $40.0 million (collectively, the "Credit Facility"), comprised of (i) a term loan made on the Marathon Closing Date in the principal amount of $30.0 million (the "Tranche One Loan"), and (ii) an additional term loan to be made in the maximum principal amount not to exceed $10.0 million (the "Tranche Two Loan" and, together with the Tranche One Loan, the "Loans"), which Tranche Two Loan availability is subject to the satisfaction of certain conditions, including, but not limited to, those described below. The Loans each have a maturity date of April 10, 2022 (the "Maturity Date"), subject to acceleration pursuant to the Credit Agreement, including upon an Event of Default (as defined in the Credit Agreement).

On the Marathon Closing Date, we used approximately $17.0 million of the Tranche One Loan to retire and pay in full our previously existing credit facility, as amended, with Oxford Finance, LLC ("Oxford") and all of the obligations thereunder, including the end-of-term liability of $1.8 million and prepayment penalties of $0.2 million. We also (i) used $5.5 million of the Tranche One Loan to pre-fund a debt service reserve account in accordance with the terms of

the Credit Agreement, and (ii) paid diligence fees, legal and other expenses associated with the Credit Facility in the amount of approximately $1.5 million, which fees exclude a deferred facility fee to Marathon equal to 9.20% of the Tranche One Loan payable at maturity. The remaining $6.0 million of proceeds was used for the continued remediation of the issues identified in the CRL and the Warning Letter and for general corporate purposes.

The obligation of Marathon to make the Tranche Two Loan is subject to the satisfaction of certain conditions related to FDA approval for specified products and our financial condition, including, without limitation, the following: (a) (i) the FDA must validate the improved manufacturing process of BIVIGAM and (ii) not less than $0.5 million in net revenue must be generated in calendar year 2018 from the sale in the United States of BIVIGAM; or (b) (i) the FDA must approve the commercialization of RI-002 and (ii) not less than $0.5 million in net revenue must be generated in calendar year 2019 from the sale in the United States of RI-002.

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On the Marathon Closing Date, we issued a promissory note in favor of the Administrative Agent in the principal amount of $30.0 million (the "Tranche One Note"), evidencing our indebtedness resulting from the Tranche One Loan. Borrowings under the Credit Agreement bear interest at a rate per annum equal to LIBOR plus 9.50% with a 1% LIBOR floor; provided, however, that in the event that we achieve sales of not less than $61.7 million for the 2018 calendar year and the Tranche Two Loan has been funded, then the interest rate on the borrowings under the Credit Agreement will decrease to LIBOR plus 7.75% with a 1% LIBOR floor. During an Event of Default under the Credit Agreement, the outstanding amount of indebtedness under the Credit Agreement will bear interest at a rate per annum equal to the interest rate then applicable to the borrowings under the Credit Agreement plus 5% per annum. Quarterly cash interest payments are due the first business day of each March, June, September and December, beginning on December 1, 2017. During the six months ended June 30, 2018, the interest rate on the Tranche One Note ranged from 10.99% to 11.81%.

We will pay Marathon a facility fee in an amount equal to 9.20% of the amount funded, payment of which is deferred until the Maturity Date pursuant to the terms of the Credit Agreement. Commencing on October 10, 2020, and on the first business day of each month, we are required to make principal payments on the Tranche One Loan (and Tranche Two Loan in the event it shall have been funded) in equal monthly installments over 18 months, subject to certain conditions in the Credit Agreement. The outstanding principal amount of the Loans, together with all accrued interest thereon, is due on the Maturity Date.

Our obligations under the Credit Agreement are secured by a first-priority lien and security interest in substantially all of our assets, including a mortgage on the Boca Facility, and those of our subsidiaries as well as all of the equity interests in each subsidiary.

The Credit Agreement contains market representations and warranties, affirmative covenants, negative covenants, financial covenants, and conditions that are customarily required for similar financings. The affirmative covenants, among other things, require us to undertake various reporting requirements. The negative covenants restrict or limit our and our subsidiaries' ability to, among other things, incur new indebtedness; create liens on assets; engage in certain fundamental corporate changes or changes to our business activities; sell or otherwise dispose of assets; repurchase stock, pay dividends; repay certain other indebtedness; engage in certain affiliate transactions; or enter into any other agreements that restrict our ability to make loan repayments. In addition, the terms of the Credit Agreement required the establishment of a debt service reserve account, and we are required to maintain a certain minimum level of liquidity at all times. Liquidity is defined in the Credit Agreement as cash held in the debt service reserve account and any other deposit account subject to a control agreement with the Administrative Agent, and the required liquidity amount is reflected as restricted cash in the accompanying consolidated balance sheets as of June 30, 2018 and December 31, 2017. The minimum liquidity requirement was $4.0 million and $5.5 million as of June 30, 2018 and December 31, 2017, respectively. On the Marathon Closing Date, $5.5 million of the Tranche One Note proceeds was deposited into the debt service reserve account. On May 31, 2018, the Credit Agreement was amended to reduce the minimum liquidity requirement to $5.25 million, and $250,000 was released from the debt service reserve account to us on June 25, 2018. On June 26, 2018, the Lender and the Administrative Agent acknowledged that the Company had met the requirements regarding our leased properties as set forth in the Credit Agreement, and an additional $1.25 million was released from the debt service reserve account to us.

The Credit Agreement also contains customary Events of Default which include, among others, non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments, cross-defaults to material contracts and events constituting a change of control. The occurrence of an Event of Default could result in, among other things, the termination of commitments under the Credit Facility and the declaration that all outstanding Loans are immediately due and payable in whole or in part.

In June 2017, we received $27.5 million in connection with the Biotest Transaction, comprised of $12.5 million in cash from BPC and an unsecured subordinated 6% note payable to Biotest in the amount of $15.0 million. Also in June 2017, BPC provided us with a firm equity commitment to invest up to an additional $12.5 million in future equity financings of the Company, and this equity commitment was satisfied in its entirety in the foregoing November 2017 public offering of Common Stock. In July 2018, BPC transferred to Biotest AG all of its obligations, rights, title and interest in the unsecured subordinated $15.0 million note.

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Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2018	2017
Net cash used in operating activities	$(31,342,153)	$(14,173,774)
Net cash (used in) provided by investing activities	(1,046,375)	17,793,627
Net cash provided by financing activities	42,934,929	12,039,289
Net change in cash and cash equivalents	10,546,401	15,659,142
Cash and cash equivalents, including restricted cash - beginning of period	48,607,574	9,914,867
Cash and cash equivalents, including restricted cash - end of period	$59,153,975	$25,574,009

Net Cash Used in Operating Activities

Cash used in operations for the six months ended June 30, 2018 was $31.3 million, an increase of $17.2 million from the same period of a year ago, mainly due to the higher net loss in 2018. The following table illustrates the primary components of our cash flows from operations:

	Six Months Ended June 30,	
	2018	2017
Net loss	$(32,569,973)	$(15,573,458)
Non-cash expenses, gains and losses	3,181,791	1,249,561
Changes in accounts receivable	82,960	(1,274,246)
Changes in inventories	381,213	66,766
Changes in prepaid expenses	(380,626)	(1,298,991)
Changes in accounts payable and accrued expenses	(2,264,907)	3,147,165
Other	227,389	(490,571)
Cash used in operations	$(31,342,153)	$(14,173,774)

Net Cash (Used in) Provided by Investing Activities

Net cash used in investing activities for the six months ended June 30, 2018 was $1.0 million, consisting of capital expenditures at the Boca Facility and final build-out costs of our third plasma center. Although we have no specific material commitments for capital expenditures as of June 30, 2018, we expect our total capital expenditures will be between $2.0 million and $4.0 million for the remainder of fiscal 2018.

Net cash provided by investing activities was $17.8 million for the six months ended June 30, 2017, primarily consisting of a $12.5 million equity infusion from BPC in accordance with the terms of the Biotest Transaction and $5.4 million from the liquidation of short-term investments.

Net Cash Provided by Financing Activities

Cash provided by financing activities during the six months ended June 30, 2018 was $42.9 million, which was a result of the net proceeds received from the June 2018 public offering of our Common Stock. Net cash provided by financing activities totaled $12.0 million for the six months ended June 30, 2017, consisting primarily $15.0 million of proceeds from the issuance of a subordinated note payable to Biotest in accordance with the terms of the Biotest Transaction, partially offset by $2.8 of principal payments under our previously existing senior credit facility.

Effect of Inflation

Inflation or changing prices did not have a significant impact on our net sales, revenues or net loss in 2017, 2016 and 2015, or for the six months ended June 30, 2018.

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Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We designed our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's (the "SEC") rules and forms, and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Under the supervision of and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of June 30, 2018. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures as of June 30, 2018 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosures.

A control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. We do not expect that our disclosure controls and procedures or our internal control over financial reporting are able to prevent with certainty all errors and all fraud.

Changes in Internal Control Over Financial Reporting

As we continue with the integration of the business processes and information systems in effect prior to the closing of the Biotest Transaction with those of ADMA BioManufacturing, we are modifying our internal control over financial reporting to address the integrated operations. The integration plan and related internal control modifications are expected to continue through our current fiscal year. Other than these integration-related changes, there have been no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

We may become subject to certain legal proceedings and claims arising in connection with the normal course of our business. In the opinion of management, there are currently no claims that would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors.

There are numerous and varied risks that may prevent us from achieving our goals. We believe that the following are the material risks that we face. If any of the following risks actually occurs, our business, financial condition or results of operations may be materially adversely affected. In such case, the trading price of our Common Stock could decline and investors in our Common Stock could lose all or part of their investment.

Risks Relating to our Business

To date, we have generated limited product revenues, have a history of losses and will need to raise additional capital to operate our business, which may not be available on favorable terms, if at all.

To date, we have generated a substantial portion of our revenues from the sale of plasma by our plasma collections facilities. Following completion of the Biotest Transaction, we began generating revenues from the sale of Nabi-HB, and we recorded additional revenue in connection with a contract manufacturing agreement. Unless and until we receive approval from the FDA and other regulatory authorities for our RI-002 product candidate and other products and product candidates in our pipeline, we do not expect to sell and generate revenue from the commercialization of RI-002 and other products and product candidates in our pipeline, and we will be required to raise additional funds through the sale of our equity and/or debt securities in order to establish a commercial sales force, develop our commercial infrastructure and recognize any significant revenues.

Our long-term liquidity will depend upon our ability to raise additional capital, fund our research and development and commercial programs, establish and build out a commercial sales force and commercial infrastructure and meet our ongoing obligations. If we are unable to successfully raise additional capital prior to the end of the second quarter

of 2019, we will likely not have sufficient cash flow and liquidity to fund our business operations as we currently operate, forcing us to potentially curtail our activities and significantly reduce or cease operations. Even if we are able to raise additional capital, such financings may only be available on unattractive terms, resulting in significant dilution of stockholders' interests and, in such event, the value and potential future market price of our Common Stock may decline. In addition, if we raise additional funds through license arrangements or through the disposition of any of our assets, it may be necessary to relinquish potentially valuable rights to our product candidates or assets or grant licenses on terms that are not favorable to us.

Based upon our projected revenue and expenditures for fiscal 2018, including regulatory and consulting fees for the remediation of the Warning Letter and ongoing discussions with the FDA, continuing implementation of our commercialization and expansion activities and certain other assumptions, we currently believe that our cash, cash equivalents, projected revenue and accounts receivable, along with the additional $10.0 million we expect to be able to access through our existing senior credit facility will be sufficient to fund our operations, as currently conducted, into the second quarter of 2019. In order to have sufficient cash to fund our operations thereafter and to continue as a going concern, we will need to raise additional equity or debt financing before the end of the second quarter of 2019. This timeframe may change based upon how quickly we are able to execute on our quality management systems' remediation plans for the ADMA BioManufacturing operations, commercial manufacturing ramp-up activities and the various financing options available to us. These estimates may also change based upon whether or when the FDA approves RI-002 or if any of our other assumptions change. We currently do not have arrangements to obtain additional financing. Any such financing could be difficult to obtain or only available on unattractive terms and could result in significant dilution to stockholders. Failure to secure necessary financing in a timely manner and on favorable terms could have a material adverse effect on our business plan and financial performance and could delay, discontinue or prevent product development, clinical trials, commercialization activities or the approval of any of our potential products. In addition, we could be forced to reduce or forgo sales and marketing efforts and forgo attractive business opportunities.

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Failure to timely and effectively remediate the outstanding Warning Letter and other inspection issues and deficiencies at the Boca Facility will have a material adverse effect on our business. Failure of the FDA to adhere to its stated timelines in the Code of Federal Regulations, as well as any potential government shut-downs or unforeseen government office closings may affect our ability to resolve the Warning Letter and other inspection issues within the timelines provided.

Prior to the closing of the Biotest Transaction, BTBU was our third-party manufacturer for RI-002. In response to our RI-002 BLA submission in 2015, in July 2016 the FDA issued the CRL. The CRL did not specify or request the need for any addition clinical trials or data; however, the CRL reaffirmed the issues set forth in the Warning Letter issued to Biotest relating to inspection issues identified at the Boca Facility. The FDA identified in the CRL, among other things, certain outstanding inspection issues and deficiencies related to Chemistry, Manufacturing and Controls ("CMC") and Good Manufacturing Practices ("GMP") at the Boca Facility and at certain of our third-party vendors, and requested documentation of corrections for a number of these issues. The FDA indicated in the CRL that it cannot grant final approval of our RI-002 BLA until, among other things, these deficiencies are resolved. Following the completion of the Biotest Transaction, we gained control over the regulatory, quality, general operations and drug substance manufacturing process at the Boca Facility, and our highest priority has been to remediate the outstanding compliance issues at the Boca Facility as indicated in the Warning Letter. We have been working with a consulting firm consisting of quality management systems and biologics production subject matter experts with extensive experience in remediating compliance and inspection issues related to quality management systems that manages a robust team of subject matter experts in plasma derived products and biologic drugs to assist us in addressing all identified CMC and current good manufacturing practice ("cGMP") issues and deficiencies. We believe that we have successfully closed out the April 2018 FDA inspection of the Boca Facility, however there can be no assurances as to the timing by which the FDA may make any determinations post-inspection concerning our compliance status. There can also be no assurances that our ongoing efforts to remediate the Warning Letter and other inspection issues and deficiencies at the Boca Facility will be effective or whether the FDA will accept these efforts. Failure to timely remediate the issues identified in the Warning Letter and other inspection issues and deficiencies and/or receive approval from the FDA would have a material adverse effect on our business, prospects, financial condition and results of operations. Additionally, we are unable to control the timing of FDA inspections, responses, meeting requests, teleconference requests, requests for clarifications and similar regulatory communications as well as whether or not the FDA will change its requirements, guidance or expectations.

We are currently not profitable and may never become profitable.

We have a history of losses and expect to incur substantial losses and negative operating cash flow for the foreseeable future, and we may never achieve or maintain profitability. For the years ended December 31, 2017 and 2016, we incurred net losses of $43.8 and $19.5 million, respectively, and for the six months ended June 30, 2018 and 2017, we incurred net losses of $32.6 million and $15.6 million, respectively. From our inception in 2004 through June 30, 2018, we have incurred an accumulated deficit of $183.3 million. Even if we succeed in developing and commercializing one or more of our product candidates, we expect to incur substantial losses for the foreseeable future and may never become profitable. We also expect to continue to incur significant operating and capital expenditures and anticipate that our operating expenses will increase substantially in the foreseeable future as we:

- remediate the outstanding compliance deficiencies identified by the FDA in the CRL and Warning Letter at the Boca Facility;

- seek regulatory approval(s);

- initiate commercialization and marketing efforts;

- implement additional internal systems, controls and infrastructure;

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- hire additional personnel;

- expand and build out our plasma center network; and

- continue to integrate the Biotest Assets into our business.

We also expect to experience negative cash flows for the foreseeable future as we fund our operating losses and capital expenditures. As a result, we will need to generate significant revenues in order to achieve and maintain profitability. We may not be able to generate these revenues or achieve profitability in the future. Our failure to achieve or maintain profitability could negatively impact the value of our securities.

Although our financial statements have been prepared on a going concern basis, we must raise additional capital before the end of the second quarter of 2019 to fund our operations in order to continue as a going concern.

CohnReznick LLP, our independent registered public accounting firm, has included an explanatory paragraph in their opinion that accompanies our audited consolidated financial statements as of and for the year ended December 31, 2017, indicating that our current liquidity position and history of losses raise substantial doubt about our ability to continue as a going concern. If we are unable to improve our liquidity position we may not be able to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements. We may also be forced to make reductions in spending, including delaying or curtailing our clinical development, trials or commercialization efforts, or seek to extend payment terms with our vendors and creditors. Our ability to raise or borrow the capital needed to improve our financial condition may be hindered by a variety of factors, including market conditions and the availability of such financing on acceptable terms, if at all. If we are unable to obtain sufficient funding, our business, prospects, financial condition and results of operations will be materially and adversely affected and we may be unable to continue as a going concern. Our audited consolidated financial statements as of and for the year ended December 31, 2017 do not include any adjustments that might result if we are unable to continue as a going concern and, therefore, be required to realize our assets and discharge our liabilities other than in the normal course of business, which could cause our security holders to suffer the loss of all or a substantial portion of their investment.

We anticipate that our principal sources of liquidity will only be sufficient to fund our activities, as currently conducted, into the second quarter of 2019. In order to have sufficient cash to fund our operations thereafter and to continue as a going concern, we will need to raise additional equity or debt financing prior to the end of the second quarter of 2019. This time frame may change based upon how quickly we are able to execute on our quality management systems' remediation plans for the ADMA BioManufacturing operations, commercial manufacturing ramp-up activities and the various financing options available to us. In order to have sufficient cash to fund our operations thereafter, we will need to raise additional equity or debt capital, and we cannot provide any assurance that we will be successful in doing so. If our assumptions underlying our estimated expenses prove to be wrong, we may

have to raise additional capital sooner than the end of the second quarter of 2019.

We have a limited operating history upon which to base an investment decision.

We have not demonstrated an ability to perform the functions necessary for the successful commercialization of RI-002. The successful development and commercialization of any product candidate will require us or our collaborators to perform a variety of functions, including:

- undertaking product development and clinical trials;
- participating in regulatory approval processes;
- formulating and manufacturing products; and
- conducting sales and marketing activities once product approval is received.

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Our operations thus far provide a limited basis for you to assess our ability to commercialize our product candidates and the advisability of investing in our securities.

Business interruptions could adversely affect our business.

ADMA BioCenters operates FDA-licensed, GHA and KMFDS-certified source plasma collection facilities located in the United States, which provide us with a portion of our blood plasma for the manufacture of our products and product candidates. Plasma collected from ADMA BioCenters' facilities that is not used to manufacture our products and product candidates is sold to third-party customers in the United States and other locations where we are approved globally under supply agreements or in the open "spot" market. Furthermore, we have completed the construction of our third plasma collection facility, and we filed our BLA with the FDA and initiated collections for this facility in December 2017. Nabi-HB and BIVIGAM are manufactured at the Boca Facility, an FDA-licensed facility certified by the GHA. A portion of our revenues are dependent upon the continued operation of these facilities. Our operations are vulnerable to interruption by fire, weather related events such as hurricanes, wind and rain, other acts of God, electric power loss, telecommunications failure, equipment failure and breakdown, human error, employee issues and events beyond our control. We do not have detailed disaster recovery plans for our facilities nor do we have a backup manufacturing facility, other than our other facilities, or contractual arrangements with any other manufacturers in the event of a casualty to or destruction of any facility or if any facility ceases to be available to us for any other reason. If we are required to rebuild or relocate any of our facilities, a substantial investment in improvements and equipment would be necessary. We carry only a limited amount of business interruption insurance, which may not sufficiently compensate us for losses that may occur.

Our lead pipeline product candidate, RI-002, requires extensive clinical data analysis and regulatory review and may require additional testing. Clinical trials and data analysis can be very expensive, time-consuming and difficult to design and implement. If we are unsuccessful in obtaining regulatory approval for RI-002, or any of our product candidates do not provide positive results, we may be required to delay or abandon development of such product, which would have a material adverse impact on our business.

Continuing product development requires additional and extensive clinical testing. Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time-consuming. While we have met the primary endpoint for our pivotal Phase III trial for RI-002, we cannot provide any assurance or certainty regarding when we might receive regulatory approval of our RI-002 BLA. Furthermore, failure can occur at any stage of the process, and we could encounter problems that cause us to abandon our RI-002 BLA or repeat clinical trials. The commencement and completion of clinical trials for any current or future development product candidate may be delayed by several factors, including:

- unforeseen safety issues;

- determination of dosing issues;

- lack of effectiveness during clinical trials;

- slower than expected rates of patient recruitment;

- inability to monitor patients adequately during or after treatment; and

- inability or unwillingness of medical investigators to follow our clinical protocols.

In addition, the FDA or an independent institutional review board may suspend our clinical trials at any time if it appears that we are exposing participants to unacceptable health risks or if the FDA finds deficiencies in our Investigational New Drug ("IND") submissions or the conduct of these trials. Therefore, we cannot provide any assurance or predict with certainty the schedule for future clinical trials. In the event we do not ultimately receive regulatory approval for RI-002, we may be required to terminate development of our only product candidate. Unless we acquire or develop other product candidates that are saleable, our business will be limited to plasma collection and sales, as well as sales of Nabi-HB and BIVIGAM.

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If the results of our clinical trials do not support our product candidate claims, completing the development of such product candidate may be significantly delayed or we may be forced to abandon development of such product candidate altogether.

Even though our clinical trials for RI-002 have been completed as planned, we cannot be certain that their results will support our product candidate claims. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the results of later clinical trials will replicate the results of prior clinical trials and preclinical testing. The clinical trial process may fail to demonstrate that our product candidates are safe for humans and effective for indicated uses. This failure would cause us to abandon a product candidate and may delay development of other product candidates. Any delay in, or termination of, our clinical trials will delay our ability to commercialize our product candidates and generate product revenues. In addition, our clinical trials involve a relatively small patient population. Because of the small sample size, the results of these clinical trials may not be indicative of future results. In addition, certain portions of the clinical trial and product testing for RI-002 were performed outside of the United States, and therefore, may not have been performed in accordance with standards normally required by the FDA and other regulatory agencies.

If we do not obtain the necessary U.S. or worldwide regulatory approvals to commercialize RI-002, we will not be able to sell RI-002.

If we cannot obtain regulatory approval for RI-002, we will not be able to generate revenue from this product candidate. As a result, our sources of revenue may continue to be from a product mix consisting only of plasma collection and sales revenues, revenues generated from sales of our FDA-approved commercial products, revenues generated from ongoing contract manufacturing for third parties and revenues generated from the sales of manufacturing intermediates. We cannot assure you that we will receive the approvals necessary to commercialize RI-002 or any other product candidate we may acquire or develop in the future. In order to obtain FDA approval of RI-002 or any other product candidate requiring FDA approval, our clinical development must demonstrate that the product candidate is safe for humans and effective for its intended use, and we must successfully complete an FDA BLA review. Obtaining FDA approval of any other product candidate generally requires significant research and testing, referred to as preclinical studies, as well as human tests, referred to as clinical trials. Satisfaction of the FDA's regulatory requirements typically takes many years, depends upon the type, complexity and novelty of the product candidate and requires substantial resources for research, development and testing. We cannot predict whether our research and clinical approaches will result in products that the FDA considers safe for humans and effective for indicated uses. The FDA has substantial discretion in the product approval process and may require us to conduct additional preclinical and clinical testing or to perform post-marketing studies. The approval process may also be delayed by changes in government regulation, future legislation or administrative action or changes in FDA policy that occur prior to or during our regulatory review. Delays in obtaining regulatory approvals may:

- delay commercialization of, and our ability to derive product revenues from, our product candidate;

- impose costly procedures on us; and

- diminish any competitive advantages that we may otherwise enjoy.

Even if we comply with all FDA requests, the FDA may ultimately reject our RI-002 BLA. In addition, the FDA could determine that we must test additional subjects and/or require that we conduct further studies with more subjects. We may never obtain regulatory approval for RI-002, or any other future potential product candidate or label expansion activity. Failure to obtain FDA approval of any of our product candidates will severely undermine our business by leaving us without the ability to generate additional accretive revenues. There is no guarantee that we will ever be able to develop or acquire other product candidates. In foreign jurisdictions, we must receive approval from the appropriate regulatory authorities before we can commercialize any products or product candidates outside the United States. Foreign regulatory approval processes generally include all of the risks and uncertainties associated with the FDA approval procedures described above. We cannot assure you that we will receive the approvals necessary to commercialize any product candidate for sale outside the United States.

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Even if we receive approval from the FDA to market RI-002, our ability to market RI-002 for alternative applications could be limited.

The FDA strictly regulates marketing, labeling, advertising and promotion of prescription drugs. These regulations include standards and restrictions for direct-to-consumer advertising, industry-sponsored scientific and educational activities, promotional activities involving the Internet and off-label promotion. The FDA generally does not allow drugs to be promoted for "off-label" uses — that is, uses that are not described in the product's labeling and that differ from those that were approved by the FDA. Generally, the FDA limits approved uses to those studied by a company in its clinical trials. In addition to the FDA approval required for new formulations, any new indication for an approved product also requires FDA approval. We have sought approval from the FDA to market RI-002 for the treatment of PIDD and, even if approved, we cannot be sure whether we will be able to obtain FDA approval for any desired future indications for RI-002.

While physicians in the United States may choose, and are generally permitted, to prescribe drugs for uses that are not described in the product's labeling, and for uses that differ from those tested in clinical studies and approved by the regulatory authorities, our ability to promote our products is narrowly limited to those indications that are specifically approved by the FDA. "Off-label" uses are common across medical specialties and may constitute an appropriate treatment for some patients in varied circumstances. Regulatory authorities in the United States generally do not regulate the behavior of physicians in their choice of treatments. Regulatory authorities do, however, restrict communications by pharmaceutical companies on the subject of off-label use. Although recent court decisions suggest that certain off-label communications, such as truthful and non-misleading speech, may be protected under the First Amendment, the scope of any such protection is unclear, and there are still significant risks in this area as it is unclear how these court decisions will impact the FDA's enforcement practices, and there is likely to be substantial disagreement and difference of opinion regarding whether any particular statement is truthful and not misleading. Moreover, while we intend to promote our products consistent with what we believe to be the approved indication for our drugs, the FDA may disagree. If the FDA determines that our promotional activities fail to comply with the FDA's regulations or guidelines, we may be subject to warnings from, or enforcement action by, these authorities. In addition, our failure to follow FDA rules and guidelines related to promotion and advertising may cause the FDA to issue warning letters or untitled letters, bring an enforcement action against us, suspend or withdraw an approved product from the market, require a recall or institute fines or civil fines, or could result in disgorgement of money, operating restrictions, injunctions or criminal prosecution, any of which could harm our reputation and our business.

We depend on third-party researchers, developers and vendors to develop RI-002, and such parties are, to some extent, outside of our control.

We depend on independent investigators and collaborators, such as universities and medical institutions, contract laboratories, clinical research organizations, contract manufacturers and consultants to conduct our preclinical, clinical trials, CMC testing and other activities under agreements with us. These collaborators are not our employees and we cannot control the amount or timing of resources that they devote to our programs. These investigators may not assign

as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. If outside collaborators fail to devote sufficient time and resources to our product-development programs, or if their performance is substandard, the approval of our FDA application(s), if any, and our introduction of new products, if any, will be delayed. These collaborators may also have relationships with other commercial entities, some of whom may compete with us. If our collaborators assist our competitors at our expense, our competitive position would be harmed. Additionally, any change in the regulatory compliance status of any of our vendors may impede our ability to receive approval for our product candidates.

Historically a single customer has accounted for a significant amount of our total revenue and, together with a second customer, represented 78% of our total revenue for the year ended December 31, 2017 and, collectively with two other customers, represented an aggregate of 90% of our total revenue for the six months ended June 30, 2018. Therefore, the loss of such single customer could have a material adverse effect on our business, results of operations and financial condition.

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Historically, a significant amount of our total revenue is attributable to a single customer, BPC. For the year ended December 31, 2017, BPC and Sanofi represented 78% of our total revenue, with BPC representing 47% of our total revenue and Sanofi representing 31% of our total revenue. For the six months ended June 30, 2018, three customers represented an aggregate of 90% of our consolidated revenues, with BPC, McKesson Corporation and AmerisourceBergen representing 55%, 14% and 21%, respectively, of our consolidated revenues. For the six months ended June 30, 2017, sales to BPC represented 75% of our consolidated revenues, and sales to SK Plasma Co., Ltd. represented 15% of our consolidated revenues.

Although we expect this concentration to continue to decrease during 2018 as additional accretive revenues are generated from the Biotest Assets, BPC is still expected to account for a significant portion of our total revenue in fiscal 2018.

The loss of BPC as a customer or a material change in the revenue generated by BPC could have a material adverse effect on our business, results of operations and financial condition. Factors that could influence our relationships with our customers include, among other things:

- our ability to sell our products at competitive prices;
- our ability to maintain features and quality standards for our products sufficient to meet the expectations of our customers; and
- our ability to produce and deliver a sufficient quantity of our products in a timely manner to meet our customers' requirements.

Additionally, an adverse change in the financial condition of BPC could have a material adverse effect on our business and results of operations.

Issues with product quality could have a material adverse effect upon our business, subject us to regulatory actions and cause a loss of customer confidence in us or our products.

Our success depends upon the quality of our products. Quality management plays an essential role in meeting customer requirements, preventing defects, improving our products and services and assuring the safety and efficacy of our products. Our future success depends on our ability to maintain and continuously improve our quality management program. A quality or safety issue may result in adverse inspection reports, warning letters, product

recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, costly litigation, refusal of a government to grant approvals and licenses, restrictions on operations or withdrawal of existing approvals and licenses. An inability to address a quality or safety issue by us or by a third-party vendor in an effective and timely manner may also cause negative publicity, a loss of customer confidence in us or our current or future products, which may result in the loss of sales and difficulty in successfully commercializing our current products and launching new products.

If physicians and patients do not accept and use our current products or our future product candidates, our ability to generate revenue from these products will be materially impaired.

Even if the FDA approves a product made by us, physicians and patients may not accept and use it. Acceptance and use of our products will depend on a number of factors including:

- perceptions by members of the healthcare community, including physicians, about the safety and effectiveness of our products;
- cost-effectiveness of our products relative to competing products;
- availability of reimbursement for our products from government or other healthcare payers; and
- the effectiveness of marketing and distribution efforts by us and our licensees and distributors, if any.

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The failure of our current and future products to find market acceptance would harm our business and could require us to seek additional financing or make such financing difficult to obtain on favorable terms, if at all.

Industry and other market data used in our periodic reports filed with the SEC and certain other materials, including those undertaken by us or our engaged consultants, may not prove to be representative of current and future market conditions or future results.

Our periodic reports filed with the SEC and certain other materials include statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties and surveys and studies we commissioned regarding the market potential for our current products as well as RI-002. Although we believe that such information has been obtained from sources believed to be reliable, neither the sources of such data, nor we, can guarantee the accuracy or completeness of such information. While we believe these industry publications and third-party research, surveys and studies are reliable, we have not independently verified such data. With respect to the information from third-party consultants, the results of this data represent the independent consultants' own methodologies, assumptions, research, analysis, projections, estimates, composition of respondent pool, presentation of data and adjustments, each of which may ultimately prove to be incorrect, and cause actual results and market viability to differ materially from those presented in any such report or other materials. Readers should not place undue reliance on this information.

Our long-term success may depend on our ability to supplement our existing product portfolio through new product development or the in-license or acquisition of other new products and product candidates, and if our business development efforts are not successful, our ability to achieve profitability may be adversely impacted.

Our current product development portfolio consists primarily of RI-002 and label expansion activities for Nabi-HB and BIVIGAM. We have initiated small scale preclinical activities to potentially expand our current portfolio through new product development efforts or to in-license or acquire additional products and product candidates. If we are not successful in developing or acquiring additional products and product candidates, we will have to depend on our ability to raise capital for, and the successful development and commercialization of, RI-002, as well as the revenue we may generate from the sale of Nabi-HB, BIVIGAM, contract manufacturing, and intermediates and plasma attributable to the operations of ADMA BioCenters, to support our operations.

Our ADMA BioCenters facilities collect information from donors in the United States that subjects us to consumer and health privacy laws, which could create enforcement and litigation exposure if we fail to meet their requirements.

Consumer privacy is highly protected by federal and state law. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH"), and their respective implementing regulations, impose, among other things, obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information held by covered entities and business associates. A "covered entity" is the primary type of HIPAA-regulated entity. Health plans/insurers, health care providers engaging in standard transactions (insurance/health plan claims and encounters, payment and remittance advice, claims status, eligibility, enrollment/disenrollment, referrals and authorizations, coordination of benefits and premium payments), and health care clearinghouses (switches that convert data between standard and non-standard data sets) are covered entities. A "business associate" provides services to covered entities (directly or as subcontractors to other business associates) involving arranging, creating, receiving, maintaining, or transmitting protected health information ("PHI") on a covered entity's behalf. In order to legally provide access to PHI to service providers, covered entities and business associates must enter into a "business associate agreement" ("BAA") with the service provider PHI recipient. Among other things, HITECH made certain aspects of the HIPAA's rules (notably the Security Rule) directly applicable to business associates – independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal court to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. The Department of Health and Human Services Office of Civil Rights ("OCR") has increased its focus on compliance and continues to train state attorneys general for enforcement purposes. OCR has recently increased both its efforts to audit HIPAA compliance and its level of enforcement, with one recent penalty exceeding $5 million.

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While we are not a covered entity or business associate subject to HIPAA, even when HIPAA does not apply, according to the U.S. Federal Trade Commission (the "FTC"), failing to take appropriate steps to keep consumers' personal information secure constitutes unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C § 45(a). The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Medical data is considered sensitive data that merits stronger safeguards. The FTC's guidance for appropriately securing consumers' personal information is similar to what is required by the HIPAA Security Rule. In addition, states impose a variety of laws protecting consumer information, with certain sensitive information such as HIV/Sexually Transmitted Disease status subject to heightened standards. In addition, federal and state privacy, data security, and breach notification laws, rules and regulations, and other laws apply to the collection, use and security of personal information, including social security number, driver's license numbers, government identifiers, credit card and financial account numbers. We could be subject to enforcement action and litigation exposure if we fail to adhere to these data privacy and security laws.

We may not realize the strategic and financial benefits currently anticipated from the Biotest Transaction.

We may not realize all of the strategic and financial benefits currently anticipated from the Biotest Transaction. For example, we may not realize the anticipated benefits of acquiring control of all aspects of RI-002 drug manufacturing, regulatory affairs and business operations. In addition, we may not be able to resolve the outstanding issues at the Boca Facility that resulted in the Warning Letter. As part of the remediation of the Warning Letter, in December 2016 BTBU temporarily suspended the production of BIVIGAM in order to focus on the completion of planned improvements to the manufacturing process. As a result, BIVIGAM was not available for sale or distribution throughout fiscal 2017. If we are unable to address the underlying concerns at the Boca Facility that resulted in the Warning Letter and the CRL in July 2016 that identified deficiencies and inspection issues related to certain of our third-party contract manufacturers, including BPC, and provide requested documentation of corrections for a number of these issues, we will not be able to apply for the PAS related to the manufacturing of BIVIGAM or reapply for FDA approval to market and sell RI-002, which could have a material adverse effect on us. Failure to resolve any outstanding issues or any administrative actions taken or changes made by the FDA toward our contract manufacturers, vendors or us could impact our ability to receive approval for RI-002, including the timing thereof, disrupt our business operations and the timing of our commercialization efforts and may have a material adverse effect on our financial condition and operating results.

Through the Biotest Transaction, we assumed a contract manufacturing agreement related to the fractionation of plasma provided by one of our third-party customers that includes certain minimum production requirements. If we are unable to meet our contractual obligations under this agreement, we may be liable for the payment of liquidated damages. If we are unable to resolve these issues, such failure could have a material adverse effect on us.

There is also uncertainty as to whether the combined business will be able to operate at a profitable level in the future given the relatively small size of the Biotest Assets and the competitive environment in which we operate. Furthermore, there is no assurance and no definitive timeline as to when or if the Warning Letter will be resolved by the FDA, and we have no assurances as to the timing by which the FDA may inspect the Boca Facility and/or make any determinations post-inspection concerning our compliance status. These factors could have a material adverse effect on us.

We may not be successful in integrating the Biotest Assets into our business.

The Biotest Transaction involves the integration of two businesses that previously have operated independently with principal offices in two distinct locations. We are expending significant management attention and resources to integrate the two companies following completion of the Biotest Transaction. The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in the combined company's failure to achieve some or all of the anticipated benefits of the Biotest Transaction.

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Potential difficulties that may be encountered in the integration process include, but are not limited to, the following:

- using our cash and other assets efficiently to develop the business on a post-Biotest Transaction basis;
- appropriately managing the liabilities of our Company on a post-Biotest Transaction basis;
- potential unknown or currently unquantifiable liabilities associated with the Biotest Transaction and the operations of our Company on a post-Biotest Transaction basis;
- potential unknown and unforeseen expenses, delays or regulatory conditions associated with the Biotest Transaction; and
- performance shortfalls in one or both of the businesses as a result of the diversion of the applicable management's attention caused by completing the Biotest Transaction and integrating the business.

Delays in the integration process could adversely affect the combined company's business, financial results, financial condition and stock price following the Biotest Transaction. Even if the combined company were able to integrate the business operations successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, innovation and operational efficiencies that may be possible from this integration or that these benefits will be achieved within a reasonable period of time.

By completing the Biotest Transaction, we agreed to transfer assets that have historically generated substantially all of our revenue.

As part of the purchase price to acquire the Biotest Assets, we have agreed to transfer to BPC ownership of our two licensed plasma collection facilities in the United States and certain related assets and liabilities. These plasma collection facilities to be transferred have historically been the source of substantially all of our revenue. Although we have completed construction of a new plasma collection facility, there can be no assurances that we will generate similar revenues as historically reported from the plasma collection facilities we will transfer to BPC on January 1, 2019.

The Biotest Transaction exposes us to liabilities, a release of claims and competition that could have a material adverse effect on our business, financial condition, results of operations and stock price.

As part of the consideration for the Biotest Transaction, we agreed to assume certain liabilities of BPC related to BTBU. Because we agreed to assume liabilities related to the Biotest Assets, we are exposed to liabilities that are not within our control and we cannot predict the extent to which these liabilities may arise in the future. Any liabilities that may arise could have a material adverse effect on our business, financial condition, results of operations and stock price.

The Purchase Agreement contains indemnification undertakings by the parties thereto for certain losses, including, among other things, indemnification for any losses arising from breaches of its representations, warranties, covenants and agreements in the Purchase Agreement. In connection with the Biotest Transfer Agreement, we granted a full release to Biotest from any and all past, present or future indemnification claims arising under or in connection with the Purchase Agreement. Significant indemnification claims by BPC or its affiliates or breaches by BPC or its affiliates of any indemnity obligations which would have been owed to us under the Purchase Agreement prior to the release granted in the Biotest Transfer Agreement could have a material adverse effect on our business, financial condition, results of operations and stock price.

As part of the consideration for the Biotest Transaction, the parties also agreed to a mutual release, pursuant to which the parties agreed not to bring any suit, action or claim for any breach or default under the existing manufacturing and supply agreement or master services agreement prior to the closing of the Biotest Transaction. This release remains effective from and after the closing of the Biotest Transaction. Without this release, we would have otherwise been permitted to bring a claim against BPC related to the Warning Letter that could have possibly entitled us to remedies in the event that we are unable to resolve the Warning Letter. The inability to seek these remedies could have a material adverse effect on our business, financial condition, results of operations and stock price.

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In addition, while the Purchase Agreement contains certain non-compete clauses, such clauses do not prohibit either the Biotest Guarantors or their other affiliates from directly or indirectly (other than through BPC) competing with BTBU after the closing of the Biotest Transaction. Such competition could result in the loss of existing or new customers, price reductions, reduced operating margins and loss of market share, which could have a material adverse effect on our business, financial condition, results of operations and stock price.

If our due diligence investigation for the Biotest Transaction was inadequate and/or the representations, warranties and indemnification given to us by BPC was inadequate, then it could result in a material adverse effect on our business.

Even though we believe that we conducted a reasonable and customary due diligence investigation of BTBU and we received market representations, warranties and indemnities from Biotest and BPC, we cannot be sure that our due diligence investigation uncovered all material or non-material issues that may be present. There also can be no assurances that we received access to or had the ability to diligence certain information, as well as appropriate representations and or warranties, that it would be possible to uncover all material issues through customary due diligence, or that issues outside of our control will not later arise or that all material issues which could have been discovered would otherwise be covered by the representations and warranties of Biotest and BPC and therefore indemnifiable. In connection with the Biotest Transfer Agreement, we granted a full release to Biotest from any and all past, present or future indemnification claims arising under or in connection with the Purchase Agreement. If we failed to identify any important issues, or if it were not possible to uncover all material issues, any such material issue could result in a material adverse effect on our business, financial condition, results of operations and stock price.

Our credit agreement (the "Credit Agreement") with Marathon Healthcare Finance Fund, L.P. ("Marathon") is subject to acceleration in specified circumstances, which may result in Marathon taking possession and disposing of any collateral.

On October 10, 2017, we entered into the Credit Agreement with Marathon which provides for a senior secured term loan Credit Facility in an aggregate amount of up to $40.0 million, comprised of (i) the $30.0 million Tranche One Loan, (ii) an additional Tranche Two Loan to be made in the maximum principal amount not to exceed $10.0 million, which Tranche Two Loan availability is subject to the satisfaction of certain conditions. The Loans each have a Maturity Date of April 10, 2022, subject to acceleration pursuant to the Credit Agreement, including upon an Event of Default (as defined in the Credit Agreement). The Loans are secured by substantially all of our assets, including our intellectual property. Events of Default include, among others, non-payment of principal, interest, or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments, cross-defaults to material contracts and events constituting a change of control. In addition to an increase in the rate of interest on the Loans of 5% per annum, the occurrence of an Event of Default could result in, among other things, the termination of commitments under the Credit Facility, the declaration that all outstanding Loans are immediately due and payable in whole or in part, and Marathon taking immediate possession of, and selling, any collateral securing the Loans.

Developments by competitors may render our products or technologies obsolete or non-competitive.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Our current products, RI-002 (if we obtain regulatory approval) and any future product we may develop will have to compete with other marketed therapies. In addition, other companies may pursue the development of pharmaceuticals that target the same diseases and conditions that we are targeting. We face competition from pharmaceutical and biotechnology companies in the United States and abroad. In addition, companies pursuing different but related fields represent substantial competition. Many of these organizations competing with us have substantially greater financial resources, larger research and development staffs and facilities, longer product development history in obtaining regulatory approvals and greater manufacturing and marketing capabilities than we do. These organizations also compete with us to attract qualified personnel and parties for acquisitions, joint ventures or other collaborations.

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If we are unable to protect our patents, trade secrets or other proprietary rights, if our patents are challenged or if our provisional patent applications do not get approved, our competitiveness and business prospects may be materially damaged.

As we move forward in clinical development we are also uncovering novel aspects of our product and are drafting patents to cover our inventions. We rely on a combination of patent rights, trade secrets and nondisclosure and non-competition agreements to protect our proprietary intellectual property, and we will continue to do so. There can be no assurance that our patent, trade secret policies and practices or other agreements will adequately protect our intellectual property. Our issued patents may be challenged, found to be over-broad or otherwise invalidated in subsequent proceedings before courts or the United States Patent and Trademark Office. Even if enforceable, we cannot provide any assurances that they will provide significant protection from competition. The processes, systems, and/or security measures we use to preserve the integrity and confidentiality of our data and trade secrets may be breached, and we may not have adequate remedies as a result of any such breaches. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. There can be no assurance that the confidentiality, nondisclosure and non-competition agreements with employees, consultants and other parties with access to our proprietary information to protect our trade secrets, proprietary technology, processes and other proprietary rights, or any other security measures relating to such trade secrets, proprietary technology, processes and proprietary rights, will be adequate, will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge. To the extent that our consultants, contractors or collaborators use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

We could lose market exclusivity of a product earlier than expected.

In the pharmaceutical and biotechnology industries, the majority of an innovative product’s commercial value is realized during its market exclusivity period. In the United States and in some other countries, when market exclusivity expires and generic versions are approved and marketed or when biosimilars are introduced (even if only for a competing product), there are usually very substantial and rapid declines in a product’s revenues.

Market exclusivity for our products is based upon patent rights and certain regulatory forms of exclusivity. The scope of our patent rights may vary from country to country and may also be dependent on the availability of meaningful legal remedies in a country. The failure to obtain patent and other intellectual property rights, or limitations on the use or loss of such rights, could be material to us. In some countries, basic patent protections for our products may not exist because certain countries did not historically offer the right to obtain specific types of patents and/or we (or our licensors) did not file in those markets. In addition, the patent environment can be unpredictable and the validity and enforceability of patents cannot be predicted with certainty. Absent relevant patent protection for a product, once the data exclusivity period expires, generic versions can be approved and marketed.

Patent rights covering RI-002 may become subject to patent litigation. In some cases, manufacturers may seek regulatory approval by submitting their own clinical trial data to obtain marketing approval or choose to launch a generic product “at risk” before the expiration of our patent rights/or before the final resolution of related patent litigation. Enforcement of claims in patent litigation can be very costly and no assurance can be given that we will prevail. There is no assurance that RI-002, or any other of our products for which we are issued a patent, will enjoy market exclusivity for the full time period of the respective patent.

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Third parties could obtain patents that may require us to negotiate licenses to conduct our business, and there can be no assurance that the required licenses would be available on reasonable terms or at all.

We may not be able to operate our business without infringing third-party patents. Numerous U.S. and foreign patents and pending patent applications owned by third parties exist in fields that relate to the development and commercialization of immune globulins. In addition, many companies have employed intellectual property litigation as a way to gain a competitive advantage. It is possible that infringement claims may occur as the number of products and competitors in our market increases. In addition, to the extent that we gain greater visibility and market exposure as a public company, we face a greater risk of being the subject of intellectual property infringement claims. We cannot be certain that the conduct of our business does not and will not infringe intellectual property or other proprietary rights of others in the United States and in foreign jurisdictions. If our products, methods, processes and other technologies are found to infringe third-party patent rights, we could be prohibited from manufacturing and commercializing the infringing technology, process or product unless we obtain a license under the applicable third-party patent and pay royalties or are able to design around such patent. We may be unable to obtain a license on terms acceptable to us, or at all, and we may not be able to redesign our products or processes to avoid infringement. Even if we are able to redesign our products or processes to avoid an infringement claim, our efforts to design around the patent could require significant time, effort and expense and ultimately may lead to an inferior or more costly product and/or process. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business. Furthermore, if any such claim is successful, a court could order us to pay substantial damages, including compensatory damages for any infringement, plus prejudgment interest and could, in certain circumstances, treble the compensatory damages and award attorney fees. These damages could be substantial and could harm our reputation, business, financial condition and operating results. A court also could enter orders that temporarily, preliminarily or permanently prohibit us, our licensees, if any, and our customers from making, using, selling, offering to sell or importing one or more of our products or practicing our proprietary technologies or processes, or could enter an order mandating that we undertake certain remedial activities. Any of these events could seriously harm our business, operating results and financial condition.

If we are unable to successfully manage our growth, our business may be harmed.

Our success will depend on the expansion of our commercial and manufacturing activities, supply of plasma and overall operations and the effective management of our growth, which will place a significant strain on our management and on our administrative, operational and financial resources. To manage this growth, we must expand our facilities, augment our operational, financial and management systems and hire and train additional qualified personnel. If we are unable to manage our growth effectively, our business could be harmed.

The loss of one or more key members of our management team could adversely affect our business.

Our performance is substantially dependent on the continued service and performance of our management team, who have extensive experience and specialized expertise in our business. In particular, the loss of Adam S. Grossman, our President and Chief Executive Officer, could adversely affect our business and operating results. We do not have "key person" life insurance policies for any members of our management team. We have employment agreements with each of our executive officers; however, the existence of an employment agreement does not guarantee retention of members of our management team and we may not be able to retain those individuals for the duration of or beyond the end of their respective terms. The loss of services of key personnel, or the inability to attract and retain additional qualified personnel, could result in delays in development or approval of our product candidates and diversion of management resources. Notwithstanding the foregoing, in the event Mr. Grossman is terminated for cause or resigns other than for good reason, then the standstill provisions contained in the Stockholders Agreement, which prohibits BPC or its transferee from, among other things, acquiring more than (i) 50%, less one share, of our issued and outstanding shares of capital stock on an as-converted basis, or (ii) 30% of the issued and outstanding shares of Common Stock, will terminate and be of no further force and effect. Such event could result in BPC or its transferee acquiring additional shares of our Common Stock or taking other actions with the goal of acquiring additional shares of our Common Stock.

Cyberattacks and other security breaches could compromise our proprietary and confidential information which could harm our business and reputation.

In the ordinary course of our business, we generate, collect and store proprietary information, including intellectual property and business information. The secure storage, maintenance, and transmission of and access to this information is important to our operations and reputation. Computer hackers may attempt to penetrate our computer systems and, if successful, misappropriate our proprietary and confidential information including e-mails and other electronic communications. In addition, an employee, contractor, or other third party with whom we do business may attempt to obtain such information, and may purposefully or inadvertently cause a breach involving such information. While we have certain safeguards in place to reduce the risk of and detect cyber-attacks, including a company-wide cybersecurity policy, our information technology networks and infrastructure may be vulnerable to unpermitted access by hackers or other breaches, or employee error or malfeasance. Any such compromise of our data security and access to, or public disclosure or loss of, confidential business or proprietary information could disrupt our operations, damage our reputation, provide our competitors with valuable information and subject us to additional costs, which could adversely affect our business.

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If we are unable to hire additional qualified personnel, our ability to grow our business may be harmed.

We will need to hire additional qualified personnel with expertise in commercialization, sales, marketing, medical affairs, reimbursement, government regulation, formulation and manufacturing and finance and accounting. In particular, over the next 12-24 months, we expect to hire several new employees devoted to commercialization, sales, marketing, medical and scientific affairs, regulatory affairs, quality control, financial, general and operational management. We compete for qualified individuals with numerous biopharmaceutical companies, universities and other research institutions. Competition for such individuals is intense, and we cannot assure you that our search for such personnel will be successful. Attracting and retaining qualified personnel will be critical to our success and any failure to do so successfully may have a material adverse effect on us.

We currently collect human blood plasma at our ADMA BioCenters facilities, and if we cannot maintain FDA approval for these facilities we may be adversely affected and may not be able to sell or use this human blood plasma for future commercial purposes.

We intend to maintain FDA and other governmental and regulatory approvals of our ADMA BioCenters collection facilities for the collection of human blood plasma. These facilities are subject to FDA and other governmental and regulatory inspections and extensive regulation, including compliance with current cGMP, FDA and other government approvals. Failure to comply with applicable governmental regulations or to receive applicable approvals for our future facilities, including our third facility, may result in enforcement actions, such as adverse inspection reports, warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution of products, civil or criminal sanctions, costly litigation, refusal of regulatory authority approvals and licenses, restrictions on operations or withdrawal of existing approvals and licenses, any of which may significantly delay or suspend our operations for these locations, potentially having a materially adverse effect on our ability to manufacture our products or offer for sale plasma collected at the affected site(s).

We currently manufacture our current marketed products, pipeline products, and products for third parties in our manufacturing and testing facilities, and if we cannot maintain appropriate FDA status for these facilities, we may be adversely affected, and may not be able to sell, manufacture or commercialize these products.

We currently operate under the Warning Letter due to issues identified by the FDA in their prior inspections while the Boca Facility was under Biotest's ownership and operational control. We engaged a consulting firm with extensive experience in remediating compliance and inspection issues related to quality management systems and which manages a robust team of subject matter experts in plasma derived products and biologic drugs to assist us in addressing all identified CMC and cGMP issues and deficiencies. We believe that we have successfully closed out the April 2018 FDA inspection of the Boca Facility, however there can be no assurances as to the timing by which the FDA may make such a determination after any inspection.

If we do not receive FDA approval for additional plasma collection centers, including our third center for which construction was completed in late 2017, before January 1, 2019, then we may be required to seek a waiver and extension from Biotest for the contractually required transfer of two of our facilities.

We recently completed construction our third plasma center and plan to leverage our existing plasma center license in order to seek approval for this new facility with the FDA. The BLA for this facility was filed with the FDA in December 2017. If we do not receive FDA approval for this third plasma center on or before January 1, 2019, then we will be required to seek a waiver and extension from Biotest for our contractual obligation to transfer the two facilities under the Purchase Agreement. However, there can be no assurances that Biotest will waive or extend its rights with respect to such transfer. In the event Biotest refuses to waive and extend such right, we will be obligated to transfer the two facilities under the Purchase Agreement and risk not having an FDA-approved plasma center in the event of a delay or refusal to issue our future license for the new plasma center by the FDA. Any such delay or refusal to issue the license by the FDA could have a material adverse effect on our operations.

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We may incur substantial liabilities and may be required to limit commercialization of our products in response to product liability lawsuits.

The testing and marketing of medical products entail an inherent risk of product liability. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products. Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of pharmaceutical products we develop, either alone or with collaborators.

Many of our business practices are subject to scrutiny by federal and state regulatory authorities, as well as to lawsuits brought by private citizens under federal and state laws. Failure to comply with applicable law or an adverse decision in lawsuits may result in adverse consequences to us.

The laws governing our conduct in the United States are enforceable on the federal and state levels by criminal, civil and administrative penalties. Violations of laws such as the Federal Food, Drug, and Cosmetic Act, the Social Security Act (including the Anti-Kickback Law), the Public Health Service Act and the Federal False Claims Act, and any regulations promulgated under the authority of the preceding, may result in jail sentences, fines or exclusion from federal and state programs, as may be determined by Medicare, Medicaid and the Department of Health and Human Services and other regulatory authorities as well as by the courts. Similarly, the violation of applicable laws, rules and regulations of the State of Florida with respect to the manufacture of our products and product candidates may result in jail sentences, fines or exclusion from applicable state programs. There can be no assurance that our activities will not come under the scrutiny of federal and/or state regulators and other government authorities or that our practices will not be found to violate applicable laws, rules and regulations or prompt lawsuits by private citizen "relators" under federal or state false claims laws.

For example, under the Anti-Kickback Law and similar state laws and regulations, the offer or payment of anything of value for patient referrals, or in return for purchasing, leasing, ordering or arranging for or recommending the purchase, lease, or ordering of any time or service reimbursable in whole or in part by a federal health care program is prohibited. This places constraints on the marketing and promotion of products and on common business arrangements, such as discounted terms and volume incentives for customers in a position to recommend or choose products for patients, such as physicians and hospitals, and these practices can result in substantial legal penalties, including, among others, exclusion from the Medicare and Medicaid programs. Arrangements with referral sources such as purchasers, group purchasing organizations, physicians and pharmacists must be structured with care to comply with applicable requirements. Also, certain business practices, such as payments of consulting fees to healthcare providers, sponsorship of educational or research grants, charitable donations, interactions with healthcare providers that prescribe products for uses not approved by the FDA and financial support for continuing medical education programs, must be conducted within narrowly prescribed and controlled limits to avoid any possibility of wrongfully influencing healthcare providers to prescribe or purchase particular products or as a reward for past prescribing. Under the Patient Protection and Affordable Care Act and the companion Health Care and Education

Reconciliation Act, which together are referred to as the “Healthcare Reform Law”, such payments by pharmaceutical manufacturers to U.S. healthcare practitioners and academic medical centers must be publicly disclosed. A number of states have similar laws in place. Additional and stricter prohibitions could be implemented by federal and state authorities. Where such practices have been found to be improper incentives to use such products, government investigations and assessments of penalties against manufacturers have resulted in substantial damages and fines. Many manufacturers have been required to enter into consent decrees or orders that prescribe allowable corporate conduct.

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Failure to satisfy requirements under the Federal Food, Drug, and Cosmetic Act can also result in penalties, as well as requirements to enter into consent decrees or orders that prescribe allowable corporate conduct. In addition, while regulatory authorities generally do not regulate physicians' discretion in their choice of treatments for their patients, they do restrict communications by manufacturers on unapproved uses of approved products or on the potential safety and efficacy of unapproved products in development. Companies in the United States, Canada and the European Union cannot promote approved products for other indications that are not specifically approved by the competent regulatory authorities such as the FDA in the United States, nor can companies promote unapproved products. In limited circumstances, companies may disseminate to physicians information regarding unapproved uses of approved products or results of studies involving investigational products. If such activities fail to comply with applicable regulations and guidelines of the various regulatory authorities, we may be subject to warnings from, or enforcement action by, these authorities. Furthermore, if such activities are prohibited, it may harm demand for our products. Promotion of unapproved drugs or devices or unapproved indications for a drug or device is a violation of the Federal Food, Drug, and Cosmetic Act and subjects us to civil and criminal sanctions. Furthermore, sanctions under the Federal False Claims Act have recently been brought against companies accused of promoting off-label uses of drugs, because such promotion induces the use and subsequent claims for reimbursement under Medicare and other federal programs. Similar actions for off-label promotion have been initiated by several states for Medicaid fraud. The Healthcare Reform Law significantly strengthened provisions of the Federal False Claims Act, the Anti-Kickback Law that applies to Medicare and Medicaid, and other health care fraud provisions, leading to the possibility of greatly increased qui tam suits by relators for perceived violations. Violations or allegations of violations of the foregoing restrictions could materially and adversely affect our business.

We are required to report detailed pricing information, net of included discounts, rebates and other concessions, to the Centers for Medicare & Medicaid Services (“CMS”) for the purpose of calculating national reimbursement levels, certain federal prices and certain federal and state rebate obligations. Inaccurate or incomplete reporting of pricing information could result in liability under the False Claims Act, the federal Anti-Kickback Law and various other laws, rules and regulations.

We will need to establish systems for collecting and reporting this data accurately to CMS and institute a compliance program to assure that the information collected is complete in all respects. If we report pricing information that is not accurate to the federal government, we could be subject to fines and other sanctions that could adversely affect our business. If we choose to pursue clinical development and commercialization in the European Union or otherwise market and sell our products outside of the United States, we must obtain and maintain regulatory approvals and comply with regulatory requirements in such jurisdictions. The approval procedures vary among countries in complexity and timing. We may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all, which would preclude us from commercializing products in those markets.

In addition, some countries, particularly the countries of the European Union, regulate the pricing of prescription pharmaceuticals. In these countries, pricing discussions with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. Such trials may be time-consuming and expensive, and may not show an advantage in efficacy for

our products. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, in either the United States or the European Union, we could be adversely affected.

Also, under the U.S. Foreign Corrupt Practices Act, the United States has increasingly focused on regulating the conduct by U.S. businesses occurring outside of the United States, generally prohibiting remuneration to foreign officials for the purpose of obtaining or retaining business. To enhance compliance with applicable health care laws, and mitigate potential liability in the event of noncompliance, regulatory authorities such as the U.S. Health and Human Services Department Office of Inspector General (the “OIG”) have recommended the adoption and implementation of a comprehensive health care compliance program that generally contains the elements of an effective compliance and ethics program described in Section 8B2.1 of the U.S. Sentencing Commission Guidelines Manual. Increasing numbers of U.S.-based pharmaceutical companies have such programs. In the future, we may need to adopt healthcare compliance and ethics programs that would incorporate the OIG's recommendations, and train our applicable employees in such compliance. Such a program may be expensive and may not assure that we will avoid compliance issues.

We are also required to comply with the applicable laws, rules, regulations and permit requirements of the various states in which our business operates, including the State of Florida where our manufacturing facility is located. These regulations and permit requirements are not always in concert with applicable federal laws, rules and regulations regulating our business. Although compliant with applicable federal requirements, we may be required to comply with additional state laws, rules, regulations and permits. Failure to appropriately comply with such state requirements could result in temporary or long-term cessation of our manufacturing operations, as well as fines and other sanctions. Any such penalties may have a material adverse effect on our business and results of operations.

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The manufacturing processes for plasma-based biologics are complex and involve biological intermediates that are susceptible to contamination.

Plasma is a raw material that is susceptible to damage and contamination and may contain human pathogens, any of which would render the plasma unsuitable as raw material for further manufacturing. For instance, improper storage of plasma, by us or third-party suppliers, may require us to destroy some of our raw material. If unsuitable plasma is not identified and discarded prior to the release of the plasma to the manufacturing process, it may be necessary to discard intermediate or finished product made from that plasma or to recall any finished product released to the market, resulting in a charge to cost of product revenue. The manufacture of our plasma products is an extremely complex process of fractionation, purification, filling and finishing. Our products can become non-releasable or otherwise fail to meet our stringent specifications or regulatory agencies' specifications through a failure in one or more of these process steps. We may detect instances in which an unreleased product was produced without adherence to our manufacturing procedures or plasma used in our production process was not collected or stored in a compliant manner consistent with our cGMP or other regulations. Such an event of noncompliance would likely result in our determination that the implicated products should not be released or maybe replaced or withdrawn from the market and therefore should be destroyed. Once manufactured, our plasma-derived products must be handled carefully and kept at appropriate temperatures. Our failure, or the failure of third parties that supply, ship or distribute our products, to properly care for our products may require that those products be destroyed. Even if handled properly, biologics may form or contain particulates or have other issues or problems after storage which may require products to be destroyed or recalled. While we expect to write off small amounts of work-in-progress in the ordinary course of business due to the complex nature of plasma, our processes and our products, unanticipated events may lead to write-offs and other costs materially in excess of our expectations and the reserves we have established for these purposes. Such write-offs and other costs could cause material fluctuations in our results of operations.

Furthermore, contamination of our products could cause investors, consumers, or other third parties with whom we conduct business to lose confidence in the reliability of our manufacturing procedures, which could adversely affect our revenues. In addition, faulty or contaminated products that are unknowingly distributed could result in patient harm, threaten the reputation of our products and expose us to product liability damages and claims from companies for whom we do contract manufacturing.

Our ability to continue to produce safe and effective products depends on the safety of our plasma supply and manufacturing processes against transmittable diseases.

Despite overlapping safeguards, including the screening of donors and other steps to remove or inactivate viruses and other infectious disease causing agents, the risk of transmissible disease through blood plasma products cannot be entirely eliminated. For example, since plasma-derived therapeutics involves the use and purification of human plasma, there has been concern raised about the risk of transmitting human immunodeficiency virus (“HIV”), prions, West Nile virus, H1N1 virus or "swine flu" and other blood-borne pathogens through plasma-derived products. There are also concerns about the future transmission of H5N1 virus, or "bird flu." In the 1980s, thousands of hemophiliacs

worldwide were infected with HIV through the use of contaminated Factor VIII. Other producers of Factor VIII, though not us, were defendants in numerous lawsuits resulting from these infections. New infectious diseases emerge in the human population from time to time. If a new infectious disease has a period during which time the causative agent is present in the bloodstream but symptoms are not present, it is possible that plasma donations could be contaminated by that infectious agent. Typically, early in an outbreak of a new disease, tests for the causative agent do not exist. During this early phase, we must rely on screening of donors for behavioral risk factors or physical symptoms to reduce the risk of plasma contamination. Screening methods are generally less sensitive and specific than a direct test as a means of identifying potentially contaminated plasma units. During the early phase of an outbreak of a new infectious disease, our ability to manufacture safe products would depend on the manufacturing process' capacity to inactivate or remove the infectious agent. To the extent that a product's manufacturing process is inadequate to inactivate or remove an infectious agent, our ability to manufacture and distribute that product would be impaired. If a new infectious disease were to emerge in the human population, the regulatory and public health authorities could impose precautions to limit the transmission of the disease that would impair our ability to procure plasma, manufacture our products or both. Such precautionary measures could be taken before there is conclusive medical or scientific evidence that a disease poses a risk for plasma-derived products. In recent years, new testing and viral inactivation methods have been developed that more effectively detect and inactivate infectious viruses in collected plasma. There can be no assurance, however, that such new testing and inactivation methods will adequately screen for, and inactivate, infectious agents in the plasma used in the production of our products.

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We could become supply-constrained and our financial performance would suffer if we cannot obtain adequate quantities of FDA-approved source plasma with proper specifications.

In order for plasma to be used in the manufacturing of our products, the individual centers at which the plasma is collected must be licensed by the FDA and approved by the regulatory authorities of any country in which we may wish to commercialize our products. When we open a new plasma center, and on an ongoing basis after licensure, it must be inspected by the FDA for compliance with cGMP and other regulatory requirements. An unsatisfactory inspection could prevent a new center from being licensed or risk the suspension or revocation of an existing license. We do not and will not have adequate plasma to manufacture our products. Therefore, we are reliant on the purchase of plasma from third parties to manufacture our products. We can give no assurances that appropriate plasma will be available to us on commercially reasonable terms, or at all, to manufacture our products. In order to maintain a plasma center's license, its operations must continue to conform to cGMP and other regulatory requirements. In the event that we determine that plasma was not collected in compliance with cGMP, we may be unable to use and may ultimately destroy plasma collected from that center, which would be recorded as a charge to cost of product revenue. Additionally, if non-compliance in the plasma collection process is identified after the impacted plasma has been pooled with compliant plasma from other sources, entire plasma pools, in-process intermediate materials and final products could be impacted. Consequently, we could experience significant inventory impairment provisions and write-offs which could adversely affect our business and financial results. We plan to increase our supplies of plasma for use in the manufacturing processes through increased purchases of plasma from third-party suppliers as well as collections from our existing ADMA BioCenters plasma collection centers. This strategy is dependent upon our ability to maintain a cGMP compliant environment in both plasma centers and to expand production and attract donors to both centers. There is no assurance that the FDA will inspect and license our unlicensed plasma collection centers in a timely manner consistent with our production plans. If we misjudge the readiness of a center for an FDA inspection, we may lose credibility with the FDA and cause the FDA to more closely examine all of our operations. Such additional scrutiny could materially hamper our operations and our ability to increase plasma collections. Our ability to expand production and increase our plasma collection centers to more efficient production levels may be affected by changes in the economic environment and population in selected regions where ADMA BioCenters operates its current or future plasma centers, by the entry of competitive plasma centers into regions where ADMA BioCenters operates such centers, by misjudging the demographic potential of individual regions where ADMA BioCenters expects to expand production and attract new donors, by unexpected facility related challenges, or by unexpected management challenges at selected plasma centers.

Our ability to commercialize our products, alone or with collaborators, will depend in part upon the extent to which reimbursement will be available from governmental agencies, health administration authorities, private health maintenance organizations and health insurers and other healthcare payers, and also depends upon the approval, timing and representations by the FDA or other governmental authorities for our product candidates. As the FDA BLA review process is ongoing, we are subject to information requests and communications from the FDA on a routine basis and may not have clarity on any or all specific aspects of the approval timing, language, name, claims and any other future requirements that may be imposed by the FDA or other governmental agencies for marketing, authorization and ultimately financial reimbursement for patient utilization.

Our ability to generate product revenues will be diminished if our products sell for inadequate prices or patients are unable to obtain adequate levels of coverage. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products, as well as to the timing, language, specifications and other details pertaining to the approval of such products. Healthcare payers, including Medicare, are challenging the prices charged for medical products and services. Government and other healthcare payers increasingly attempt to contain healthcare costs by limiting both coverage and the level of reimbursement for products. Even if one of our product candidates is approved by the FDA, insurance coverage may not be available, and reimbursement levels may be inadequate, to cover such product. If government and other healthcare payers do not provide adequate coverage and reimbursement levels for one of our products, once approved, market acceptance of such product could be reduced. Prices in many countries, including many in Europe, are subject to local regulation and certain pharmaceutical products, such as plasma-derived products, are subject to price controls in several of the world's principal markets, including many countries within the European Union. In the United States, where pricing levels for our products are substantially established by third-party payers, including Medicare, if payers reduce the amount of reimbursement for a product, it may cause groups or individuals dispensing the product to discontinue administration of the product, to administer lower doses, to substitute lower cost products or to seek additional price-related concessions. These actions could have a negative effect on our financial results, particularly in cases where our products command a premium price in the marketplace, or where changes in reimbursement induce a shift in the site of treatment. The existence of direct and indirect price controls and pressures over our products could materially adversely affect our financial prospects and performance.

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The new biosimilar pathway established as part of the healthcare reform may make it easier for competitors to market biosimilar products.

The Healthcare Reform Law introduced an abbreviated licensure pathway for biological products that are demonstrated to be biosimilar to an FDA-licensed biological product. A biological product may be demonstrated to be "biosimilar" if data show that, among other things, the product is "highly similar" to an already-approved biological product, known as a reference product, and has no clinically meaningful differences in terms of safety and effectiveness from the reference product. The law provides that a biosimilar application may be submitted as soon as four years after the reference product is first licensed, and that the FDA may not make approval of an application effective until 12 years after the reference product was first licensed. Since the enactment of the law, the FDA has issued several guidance documents to assist sponsors of biosimilar products in preparing their approval applications. The FDA approved the first biosimilar product in 2015, and approved three biosimilar products in 2016. As a result of the biosimilar pathway in the United States, we expect in the future to face greater competition from biosimilar products, including a possible increase in patent challenges.

The implementation of the Healthcare Reform Law in the United States may adversely affect our business.

Through the March 2010 adoption of the Healthcare Reform Law in the United States, substantial changes are being made to the current system for paying for healthcare in the United States, including programs to extend medical benefits to millions of individuals who currently lack insurance coverage. The changes contemplated by the Healthcare Reform Law are subject to rule-making and implementation timelines that extend for several years, and this uncertainty limits our ability to forecast changes that may occur in the future. However, implementation has already begun with respect to certain significant cost-saving measures under the Healthcare Reform Law, for example with respect to several government healthcare programs, including Medicaid and Medicare Parts B and D, that may cover the cost of our future products, and these efforts could have a material adverse impact on our future financial prospects and performance. For example, in order for a manufacturer's products to be reimbursed by federal funding under Medicaid, the manufacturer must enter into a Medicaid rebate agreement with the Secretary of the U.S. Department of Health and Human Services and pay certain rebates to the states based on utilization data provided by each state to the manufacturer and to CMS and pricing data provided by the manufacturer to the federal government. The states share these savings with the federal government, and sometimes implement their own additional supplemental rebate programs. Under the Medicaid drug rebate program, the rebate amount for most branded drug products was previously equal to a minimum of 15.1% of the Average Manufacturer Price ("AMP") or the AMP less Best Price, whichever is greater. Effective January 1, 2010, the Healthcare Reform Law generally increased the size of the Medicaid rebates paid by manufacturers for single source and innovator multiple source (brand name) drug products from a minimum of 15.1% to a minimum of 23.1% of AMP, subject to certain exceptions. For non-innovator multiple source (generic) products, the rebate percentage is increased from a minimum of 11.0% to a minimum of 13.0% of AMP. In 2010, the Healthcare Reform Law also newly extended this rebate obligation to prescription drugs covered by Medicaid managed care organizations. These increases in required rebates may adversely affect our future financial prospects and performance. In order for a pharmaceutical product to receive federal reimbursement under the Medicare Part B and Medicaid programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. The required 340B discount on a

given product is calculated based on the AMP and Medicaid rebate amounts reported by the manufacturer. As the 340B drug pricing is determined based on AMP and Medicaid rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discount to increase.

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Effective in 2011, the Healthcare Reform Law imposed an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs. These fees may adversely affect our future financial prospects and performance. The Healthcare Reform Law established the Center for Medicare and Medicaid Innovation within CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending. Funding has been allocated to support the mission of the Center for Medicare and Medicaid Innovation through 2019.

The Healthcare Reform Law also creates new rebate obligations for our products under Medicare Part D, a partial, voluntary prescription drug benefit created by the U.S. federal government primarily for persons 65 years old and over. The Part D drug program is administered through private insurers that contract with CMS. Beginning in 2011, the Healthcare Reform Law generally requires that in order for a drug manufacturer's products to be reimbursed under Medicare Part D, the manufacturer must enter into a Medicare Coverage Gap Discount Program agreement with the Secretary of the U.S. Department of Health and Human Services, and reimburse each Medicare Part D plan sponsor an amount equal to 50% savings for the manufacturer's brand name drugs and biologics which the Part D plan sponsor has provided to its Medicare Part D beneficiaries who are in the "donut hole" (or a gap in Medicare Part D coverage for beneficiaries who have expended certain amounts for drugs). The Part D plan sponsor is responsible for calculating and providing the discount directly to its beneficiaries and for reporting these amounts paid to CMS's contractor, which notifies drug manufacturers of the rebate amounts it must pay to each Part D plan sponsor. The rebate requirement could adversely affect our future financial performance, particularly if contracts with Part D plans cannot be favorably renegotiated or the Part D plan sponsors fail to accurately calculate payments due in a manner that overstates our rebate obligation. Regarding access to our products, the Healthcare Reform Law established and provided significant funding for a Patient-Centered Outcomes Research Institute to coordinate and fund Comparative Effectiveness Research (“CER”). While the stated intent of CER is to develop information to guide providers to the most efficacious therapies, outcomes of CER could influence the reimbursement or coverage for therapies that are determined to be less cost-effective than others. Should any of our products be determined to be less cost effective than alternative therapies, the levels of reimbursement for these products, or the willingness to reimburse at all, could be impacted, which could materially impact our future financial prospects and results.

There have been repeated attempts by Congress to repeal or change the Healthcare Reform Law. At this time, it remains unclear whether there will be any changes made to or any repeal or replacement of the Healthcare Reform Law, with respect to certain of its provisions or in its entirety.

Developments in the worldwide economy may adversely impact our business.

The difficult economic environment may adversely affect demand for our products. RI-002, our current product candidate, is expected to be sold to hospitals, specialty pharmacies and clinicians in the United States. As a result of loss of jobs, patients may lose medical insurance and be unable to purchase our products or may be unable to pay their share of deductibles or co-payments. Hospitals adversely affected by the economy may steer patients to less costly

therapies, resulting in a reduction in demand, or demand may shift to public health hospitals, which may purchase at a lower government price.

Risks Relating to our Finances, Capital Requirements and Other Financial Matters

We require additional funding and may be unable to raise capital when needed, which would force us to delay, curtail or eliminate one or more of our research and development programs or commercialization efforts.

Our operations have consumed substantial amounts of cash since inception. For the six three months ended June 30, 2018 and 2017, we had negative cash flows from operations of $31.3 million and $14.2 million, respectively, and for the years ended December 31, 2017 and 2016, we had negative cash flows from operations of approximately $37.3 million and $18.3 million, respectively. We expect to continue to spend substantial amounts on product development, including commercialization activities, procuring raw material plasma, manufacturing, conducting potential future clinical trials for our product candidates and purchasing clinical trial materials from our suppliers. We currently anticipate, based upon our projected revenue and expenditures, as well as the additional $10.0 million we expect to be able to access under the Credit Agreement, that our current cash, cash equivalents and accounts receivable will be sufficient to fund our operations, as currently conducted, into the second quarter of 2019. In order to have sufficient cash to fund our operations thereafter and to continue as a going concern, we will need to raise additional equity or debt financing prior to the end of the second quarter of 2019. This time frame may change based upon how quickly we are able to execute on our operational initiatives and the various financing options available to us. However, if the assumptions underlying our estimated expenses prove to be incorrect, we may have to raise additional capital sooner than we currently expect. Until such time, if ever, as we can generate a sufficient amount of product revenue to achieve profitability, we expect to continue to finance our operations through additional equity or debt financings or corporate collaboration and licensing arrangements. If we are unable to raise additional capital as needed, we will have to delay, curtail or eliminate our product development activities, including conducting clinical trials for our product candidates and purchasing clinical trial materials from our suppliers, as well as future commercialization efforts.

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Raising additional funds by issuing securities or through licensing or lending arrangements may cause dilution to our existing stockholders, restrict our operations or require us to relinquish proprietary rights.

To the extent that we raise additional capital by issuing equity securities, the share ownership of existing stockholders will be diluted. Any future debt financing may involve covenants that, among other restrictions, limit our ability to incur liens or additional debt, pay dividends, redeem or repurchase our Common Stock, make certain investments or engage in certain merger, consolidation or asset sale transactions. In addition, if we raise additional funds through licensing arrangements or the disposition of any of our assets, it may be necessary to relinquish potentially valuable rights to our product candidates or grant licenses on terms that are not favorable to us.

Our cash, cash equivalents and short-term investments could be adversely affected if the financial institutions in which we hold our cash, cash equivalents and short-term investments fail.

We regularly maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation insurance limit. While we monitor the cash balances in our operating accounts on a daily basis and adjust the balances as appropriate, these balances could be impacted, and there could be a material adverse effect on our business, if one or more of the financial institutions with which we deposit cash fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial and credit markets.

If we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, investors' views of us and, as a result, the value of our Common Stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and related rules, our management is required to report on the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. To comply with the requirements of being a reporting company under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we have been required to upgrade, and may need to implement further upgrades, to our financial, information and operating systems, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and finance staff.

Our ability to use our net operating loss carryforwards (“NOLs”) may be limited.

We have incurred substantial losses during our history. As of December 31, 2017, we had federal and state NOLs of $125.3 million and $201.5 million, respectively. These NOLs will begin to expire at various dates beginning in 2027, if not limited by triggering events prior to such time. Under the provisions of the Internal Revenue Code, changes in our ownership, in certain circumstances, will limit the amount of federal NOLs that can be utilized annually in the future to offset taxable income. In particular, Section 382 of the Internal Revenue Code imposes limitations on a company's ability to use NOLs upon certain changes in such ownership. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership that we cannot predict or control that could result in further limitations being placed on our ability to utilize our federal NOLs.

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The recently passed Tax Cuts and Jobs Act (the "TCJA") could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law the TCJA which significantly reforms the Internal Revenue Code. The TCJA, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses generated after December 31, 2017 to 80% of current year taxable income and elimination of net operating loss carrybacks, immediate deductions for certain new investments instead of deductions for depreciation expense over time and modifying or repealing many business deductions and credits. Federal net operating losses arising in taxable years ending after December 31, 2017 will be carried forward indefinitely pursuant to the TCJA. We continue to examine the impact this tax reform legislation may have on our business. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the TCJA is uncertain and our business and financial condition could be adversely affected. The impact of this tax reform on holders of our Common Stock is also uncertain and could be adverse. We urge our stockholders to consult with their legal and tax advisors with respect to such legislation and the potential tax consequences of investing in our Common Stock.

Risks Associated with our Common Stock

The market price of our Common Stock may be volatile and may fluctuate in a way that is disproportionate to our operating performance.

Our stock price may experience substantial volatility as a result of a number of factors, including:

- sales or potential sales of substantial amounts of our Common Stock;
- our ability to successfully leverage the anticipated benefits and synergies from the Biotest Transaction, including optimization of the combined businesses, operations and products and services, including the nature, strategy and focus of the combined company and the management and governance structure of the combined company;
- delay or failure in initiating or completing preclinical or clinical trials or unsatisfactory results of these trials;
- delay in FDA approval for RI-002;

- the timing of acceptance, third-party reimbursement and sales of RI-002;
- our ability to resume the manufacturing of BIVIGAM once the deficiencies identified in the CRL have been resolved by us to the satisfaction of the FDA;
- announcements about us or about our competitors, including clinical trial results, regulatory approvals or new product introductions;
- developments concerning our licensors or third-party vendors;
- litigation and other developments relating to our patents or other proprietary rights or those of our competitors;
- conditions in the pharmaceutical or biotechnology industries;

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- governmental regulation and legislation;

- variations in our anticipated or actual operating results; and

- change in securities analysts' estimates of our performance, or our failure to meet analysts' expectations.

Many of these factors are beyond our control. The stock markets in general, and the market for pharmaceutical and biotechnology companies in particular, have historically experienced extreme price and volume fluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These broad market and industry factors could reduce the market price of our Common Stock, regardless of our actual operating performance.

An investment in our Common Stock is extremely speculative and there can be no assurance of any return on any such investment.

An investment in our Common Stock is extremely speculative and there is no assurance that investors will obtain any return on their investment. Investors will be subject to substantial risks involved in an investment in us, including the risk of losing their entire investment.

Sales of a substantial number of shares of our Common Stock, or the perception that such sales may occur, may adversely impact the market price of our Common Stock.

As of August 10, 2018 most of our 46,349,514 outstanding shares of Common Stock, as well as a substantial number of shares of our Common Stock underlying outstanding warrants, were available for sale in the public market, subject to certain restrictions with respect to sales of our Common Stock by our affiliates, either pursuant to Rule 144 under the Securities Act ("Rule 144") or under effective registration statements. The 4,295,580 shares of Common Stock and the 8,591,160 NV Biotest Shares acquired by BPC in the Biotest Transaction were subject to a lock-up for six months after closing of the Biotest Transaction, which lock-up expired on December 6, 2017. For three years after the end of such six-month period, subject to certain limited exceptions, under the Stockholders Agreement, sales by the Biotest Trust (as the transferee of BPC's remaining 10,109,534 shares of our Common Stock pursuant to the Biotest Transfer Agreement effective July 24, 2018) of our equity interests may not exceed 15% of the issued and outstanding Common Stock in any twelve-month period; provided, however, that if our market capitalization increases to double our market capitalization immediately following the closing of the Biotest Transaction, then the Biotest Trust may sell up to 20% of our issued and outstanding Common Stock in any twelve-month period; provided, further, that (x) if our market capitalization increases to triple our market capitalization immediately following the closing of the Biotest Transaction, or (y) upon the one-year anniversary of the Biotest Trust holding less than a 25% economic interest in us,

then the Biotest Trust may sell its equity interests in us at any time (subject to applicable securities laws). On May 14, 2018, we, ADMA BioManufacturing and ADMA BioCenters entered into the Biotest Transfer Agreement with BPC, Biotest AG, Biotest US and the Biotest Trust whereby BPC transferred to us, for no cash consideration, the 8,591,160 NV Biotest Shares, representing 100% of our then-issued and outstanding non-voting common stock. Immediately upon transfer of the NV Biotest Shares to us, the shares were retired and are no longer available for issuance. At the closing of the Biotest Transaction, we entered into the Registration Rights Agreement with BPC, pursuant to which the Biotest Trust, as BPC's transferee, has, among other things, certain registration rights under the Securities Act with respect to its shares of our Common Stock, subject to certain transfer restrictions. Sales of a substantial number of shares of our Common Stock, or the perception that such sales may occur, may adversely impact the market price of our Common Stock.

Our affiliates control a substantial amount of our shares of Common Stock. Provisions in our Amended and Restated Certificate of Incorporation (the "A&R Certificate of Incorporation"), our Amended and Restated Bylaws (the "Bylaws") and Delaware law might discourage, delay or prevent a change in control of our Company or changes in our management and, therefore, depress the trading price of our Common Stock.

Provisions of our A&R Certificate of Incorporation, our Bylaws and Delaware law may have the effect of deterring unsolicited takeovers or delaying or preventing a change in control of our Company or changes in our management, including transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices. As of June 30, 2018, the Biotest Trust, our directors and executive officers and their affiliates beneficially owned in excess of 36% of the outstanding shares of our Common Stock. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. These provisions include:

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- the inability of stockholders to call special meetings;

- the ability of our Board to institute a stockholder rights plan, also known as a poison pill, that would work to dilute our stock;

- classification of our Board and limitation on filling of vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of our Company; and

- authorization of the issuance of "blank check" preferred stock, with such designation rights and preferences as may be determined from time to time by the Board, without any need for action by stockholders.

In addition, Section 203 of the Delaware General Corporation Law (the "DGCL") prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years, has owned 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our Common Stock. They could also deter potential acquirers of our Company, thereby reducing the likelihood that you could receive a premium for your Common Stock in an acquisition. In addition, as a result of the concentration of ownership of our shares of Common Stock, our stockholders may, from time to time, observe instances where there may be less liquidity in the public markets for our securities.

We have never paid and do not intend to pay cash dividends in the foreseeable future. As a result, capital appreciation, if any, will be your sole source of gain.

We have never paid cash dividends on any of our capital stock and we currently intend to retain future earnings, if any, to fund the development and growth of our business. In addition, the terms of existing and future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our Common Stock will be your sole source of gain for the foreseeable future.

If we fail to adhere to the strict listing requirements of the Nasdaq Capital Market ("Nasdaq"), we may be subject to delisting. As a result, our stock price may decline and our Common Stock may be delisted. If our stock were no longer listed on Nasdaq, the liquidity of our securities likely would be impaired.

Our Common Stock currently trades on Nasdaq under the symbol “ADMA.” If we fail to adhere to Nasdaq's strict listing criteria, including with respect to stock price, our market capitalization and stockholders’ equity, our stock may be delisted. This could potentially impair the liquidity of our securities not only in the number of shares that could be bought and sold at a given price, which may be depressed by the relative illiquidity, but also through delays in the timing of transactions and the potential reduction in media coverage. As a result, an investor might find it more difficult to dispose of our Common Stock. We believe that current and prospective investors would view an investment in our Common Stock more favorably if it continues to be listed on Nasdaq. Any failure at any time to meet the Nasdaq continued listing requirements could have an adverse impact on the value of and trading activity of our Common Stock. Although we currently satisfy the listing criteria for Nasdaq, if our stock price declines dramatically, we could be at risk of failing to meet the Nasdaq continued listing criteria.

Penny stock regulations may affect your ability to sell our Common Stock.

Because the price of our Common Stock has historically traded below $5.00 per share, our Common Stock may be subject to Rule 15g-9 under the Exchange Act, which imposes additional sales practice requirements on broker dealers which sell these securities to persons other than established customers and accredited investors. Under these rules, broker-dealers who recommend penny stocks to persons other than established customers and “accredited investors” must make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to a transaction prior to sale, which includes an acknowledgement that the purchaser’s financial situation, investment experience and investment objectives forming the basis for the broker-dealer’s suitability determination are accurately stated in such written agreement. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the associated risks. The additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from effecting transactions in our Common Stock and may make it more difficult for holders of our Common Stock to sell shares to third parties or to otherwise dispose of them.

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We are an "emerging growth company," and elect to comply with reduced public company reporting requirements applicable to emerging growth companies, which could make our Common Stock less attractive to investors.

We are an "emerging growth company," as defined by the Jumpstart Our Business Startups Act (the "JOBS Act"). The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company," we may, under Section 7(a)(2)(B) of the Securities Act, delay adoption of new or revised accounting standards applicable to public companies until such standards would otherwise apply to private companies. We may continue to take advantage of this extended transition period until the first to occur of the date that we (i) are no longer an "emerging growth company" or (ii) affirmatively and irrevocably opt out of this extended transition period.

We could be an emerging growth company until December 31, 2018, which is the last day of the fiscal year following the fifth anniversary of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our total annual gross revenues exceed $1.07 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we would cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a)(2)(B), upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard. As an emerging growth company, we are also exempt from the requirement to have our independent registered public accounting firm provide an attestation report on our internal control over financial reporting.

We cannot predict if investors will find our Common Stock less attractive as a result of our reliance on these exemptions. If some investors find our Common Stock less attractive as a result of any choice we make to reduce disclosure, there may be a less active trading market for our Common Stock, our stock price may be more volatile and our stock price may decline dramatically.

We will incur increased costs when we cease being an "emerging growth company."

When we cease to be an “emerging growth company” and when our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 of the Sarbanes-Oxley Act (“Section 404”) will correspondingly increase. Moreover, if we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

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Our Board may, without stockholder approval, issue and fix the terms of shares of preferred stock and issue additional shares of Common Stock adversely affecting the rights of holders of our Common Stock.

Our A&R Certificate of Incorporation authorizes the issuance of up to 10,000,000 shares of "blank check" preferred stock, with such designation rights and preferences as may be determined from time to time by the Board. Currently, our A&R Certificate of Incorporation authorizes the issuance of up to 75,000,000 shares of Common Stock, of which 23,870,861 shares remain available for issuance and may be issued by us without stockholder approval, and up to 8,591,160 shares of non-voting common stock, all of which were reacquired by us in May 2018 pursuant to the Biotest Transfer Agreement and were subsequently retired and are no longer available for issuance.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

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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.

ADMA Biologics, Inc.

Date: August 10, 2018 By: /s/ Adam S. Grossman
Name: Adam S. Grossman
Title: President and Chief Executive Officer

Date: August 10, 2018 By: /s/ Brian Lenz
Name: Brian Lenz
Title: Executive Vice President and Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description
10.1*	Share Transfer, Amendment and Release Agreement, dated as of May 14, 2018, by and among Biotest Pharmaceuticals Corporation, Biotest AG, The Biotest Divestiture Trust, Biotest US Corporation, ADMA BioManufacturing, LLC, ADMA Biologics, Inc. and ADMA Bio Centers Georgia Inc.
10.2*+	Amendment #1 to the Plasma Supply Agreement, dated as of July 19, 2018, by and between Biotest Pharmaceuticals Corporation and ADMA BioManufacturing, LLC.
10.3*+	Amendment to Plasma Purchase Agreement, dated as of July 19, 2018, by and between Biotest Pharmaceuticals Corporation and ADMA BioManufacturing, LLC.
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from ADMA Biologics, Inc.’s Form 10-Q for the quarter ended June 30, 2018, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets as of June 30, 2018 (Unaudited) and December 31, 2017, (ii) Condensed Consolidated Statements of Operations (Unaudited) for the three and six months ended June 30, 2018 and 2017, (iii) Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited) for the six months ended June 30, 2018, (iv) Condensed Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2018 and 2017, and (v) Notes to (Unaudited) Condensed Consolidated Financial Statements.

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* Filed herewith.

** In accordance with SEC Release 33-8238, Exhibit 32.1 and 32.2 are being furnished and not filed.

+ Confidential treatment has been requested with respect as to certain portions of this exhibit. Such portions have been redacted and submitted separately to the SEC.