UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

☐ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended _____

OR

☒ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from April 1, 2014 to December 31, 2014
Commission File Number 000-26372

ADAMIS PHARMACEUTICALS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**82-0429727**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11682 El Camino Real, Suite 300, San Diego, CA 92130
(Address of Principal Executive Offices) (zip code)

Registrant's telephone number, including area code: **(858) 997-2400**
Securities registered pursuant to Section 12(b) of the Act:

None	**None**
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.0001 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES ☐ **NO** ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES ☐ **NO** ☒

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ **NO** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES ☒ **NO** ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of the chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
YES ☐ **NO** ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2014, was $38,867,551.

At March 26, 2015, the Company had 13,331,438 shares outstanding.

Documents Incorporated by Reference: Portions of the proxy statement for the 2015 annual stockholders meeting are incorporated by reference into Part III.

ADAMIS PHARMACEUTICALS CORPORATION

TABLE OF CONTENTS

Information Relating to Forward-Looking Statements

This Transition Report on Form 10-K (this "Report" or "Transition Report") includes "forward-looking" statements. These forward-looking statements are not historical facts, but are based on current expectations, estimates and projections about our industry, our beliefs and our assumptions. These forward-looking statements include statements about our strategies, objectives and our future achievement. To the extent statements in this Transition Report on Form 10-K involve, without limitation, our expectations for growth, estimates of future revenue, our sources and uses of cash, our liquidity needs, our current or planned clinical trials or research and development activities, product development timelines, our future products, regulatory matters, our expectations concerning the timing of regulatory approvals, expense, profits, cash flow balance sheet items or any other guidance on future periods, these statements are forward-looking statements. These statements are often, but not always, made through the use of word or phrases such as "believe," "will," "expect," "anticipate," "estimate," "intend," "plan," and "would." These forward-looking statements are not guarantees of future performance and concern matters that could subsequently differ materially from those described in the forward-looking statements. Actual events or results may differ materially from those discussed in this Transition Report on Form 10-K. Except as may be required by applicable law, we undertake no obligation to release publicly the results of any revisions to these forward-looking statements or to reflect events or circumstances arising after the date of this Report. Important factors that could cause actual results to differ materially from those in these forward-looking statements are disclosed in this Transition Report on Form 10-K, including, without limitation, under the headings "Item 1A. Risk Factors," "Item 1. Business" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as other risks identified from time to time in our filings with the Securities and Exchange Commission, press releases and other communications.

In addition, many forward-looking statements in this Transition Report on Form 10-K, including statements concerning, among other matters, current or planned clinical trials, anticipated research and development activities, anticipated dates for commencement of clinical trials, anticipated completion dates of clinical trials, anticipated dates for meetings with regulatory authorities and submissions to obtain required regulatory marketing approvals, anticipated dates for commercial introduction of products, and other statements concerning our future operations and activities, assume that we are able to obtain sufficient funding in the near term and thereafter to support such activities and continue our operations and planned activities. As discussed herein, including under "Item 1A. Risk Factors" and in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," we require additional funding to continue operations, and there are no assurances that such funding will be available. Failure to timely obtain required funding would adversely affect and could delay or prevent our ability to realize the results contemplated by such forward looking statements.

The Adamis Pharmaceuticals logo and other trademarks or service marks of Adamis Pharmaceuticals Corporation appearing in this Transition Report on Form 10-K are the property of Adamis Pharmaceuticals Corporation. All other brand names or trademarks appearing in this Transition Report on Form 10-K are the property of their respective owners. Unless the context otherwise requires, the terms "we," "our," and "the Company" refer to Adamis Pharmaceuticals Corporation, a Delaware corporation, and its subsidiaries.

Unless otherwise indicated, share and per share amounts in this Transition Report on Form 10-K reflect a 1-for-17 reverse split of our outstanding common stock effected in December 2013.

EXPLANATORY NOTE REGARDING THE TRANSITION REPORT

We changed our fiscal year to the calendar twelve months ending December 31, effective beginning after our previous fiscal year ended March 31, 2014. As a result, our current fiscal period was shortened from twelve months to a nine-month transition period ended on December 31, 2014.

As a result, unless otherwise indicated herein, comparisons of fiscal year results in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" portion of this Transition Report, and elsewhere herein, compare results for the nine-month transition period from April 1, 2014 through December 31, 2014 (sometimes referred to herein as the "Transition 2014 Period" or "the nine months ended December 31, 2014") to the 12-month period of the fiscal year ended March 31, 2014, and accordingly are not comparing results for a comparable period of time. Included in note 17 to the financial statements appearing elsewhere in this Transition Report is certain unaudited financial information for the nine-month period from April 1, 2013 to December 31, 2013.

PART I

ITEM 1. BUSINESS

Company Overview

Adamis Pharmaceuticals Corporation ("we," "us," "our," "Adamis" or the "company") is a pharmaceutical company focused on combining specialty pharmaceuticals and biotechnology to provide innovative medicines for patients and physicians. We are currently primarily focused on our specialty pharmaceutical products. We are currently developing several products in the allergy and respiratory markets, including one utilizing a dry powder inhaler technology that we acquired from 3M Company, or 3M. Our goal is to create low cost therapeutic alternatives to existing treatments. Consistent across all specialty pharmaceuticals product lines, we intend to submit Section 505(b)(2) New Drug Applications, or NDAs, or Section 505(j) Abbreviated New Drug Applications, or ANDAs, to the U.S. Food and Drug Administration, or FDA, whenever possible in order to potentially reduce the time to market and to save on costs, compared to those associated with Section 505(b)(1) NDAs for new drug products. We also have a number of biotechnology product candidates and technologies, including therapeutic vaccine and cancer product candidates and technologies intended to treat patients with unmet medical needs in the global cancer market. To achieve our goals and support our overall strategy, we will need to raise a substantial amount of funding and make significant investments in equipment, new product development and working capital.

The current status of our development programs is as follows:

Product Portfolio

Specialty Pharmaceutical Products	Target Indication	Development Status
Epinephrine PFS	Anaphylaxis	Submitted NDA
APC-5000 DPI	Asthma/COPD	Phase 3 ready (1)(2)
APC-1000	Asthma/COPD	Phase 3 ready (1)(2)
APC-2000	Bronchospasm	Phase 3 ready (1)(2)
APC-3000	Allergic Rhinitis	Phase 3 ready (1)(2)

Biotechnology Products	Target Indication	Development Status
TeloB-VAX (vaccine)	Prostate Cancer	Phase 2 ready (1)
APC-100	Prostate Cancer	Phase 1 trial (3)
APC-200	Prostate Cancer	Preclinical
APC-300	Prostate Cancer	Preclinical

(1) Represents the next anticipated development or regulatory stage for the product candidate that we may pursue, assuming that we have the financial resources to pursue any of these opportunities. There are no assurances that we will pursue these opportunities, for financial or other reasons.
(2) A single Phase 3 trial, without previous Phase 1 or Phase 2 trials, is the anticipated next product development stage.
(3) Phase 1/2a clinical trial has commenced.

We have not received regulatory approval for any drugs or products. Since our fiscal 2010 year, we have not generated commercial revenues from marketing or selling any drugs or other products**.**

Anaphylaxis; Epinephrine Pre-Filled Syringe

Our most advanced product candidate, the Epinephrine Injection USP 1:1000 0.3mg Pre-filled Single Dose Syringe, or the Epinephrine PFS, is a pre-filled syringe designed to deliver a premeasured 0.3 mg dose of epinephrine for the treatment of anaphylaxis. The American Academy of Allergy Asthma and Immunology, or AAAAI, defines anaphylaxis as a serious life-threatening allergic reaction. The most common anaphylactic reactions are to foods, insect stings, medications and latex. According to information published by AAAAI reporting on findings from a 2009-2010 study, up to 8% of U.S. children under the age of 18 had a food allergy, and approximately 38% of those with a food allergy had a history of severe reactions. Anaphylaxis requires immediate medical treatment, including an injection of epinephrine.

We estimate that sales of prescription epinephrine products in 2014 were approximately $1.1 billion, based on industry data. We cannot provide any assurances concerning any possible future rates of annual growth or whether annual prescriptions will decline or grow.

We believe that there is an opportunity for a simple, lower-cost, pre-filled syringe to compete in this market. Our Epinephrine PFS product will allow users to administer a pre-measured epinephrine dose quickly with a syringe that we believe will be familiar to many potential users. Auto-injectors are spring-loaded auto-injector devices. If not administered properly, there is a risk that they could misfire or be misused. We expect to introduce the Epinephrine PFS product at a price point reflecting a discount to the price of the leading products. We believe that a lower-priced option may be attractive to individuals that pay cash for their epinephrine products, professional users such as hospitals and first responders, and military and prison systems.

We believe that the Epinephrine PFS product, if introduced, may acquire a share of the market based on the price differential between the expected price of the Epinephrine PFS product and the price at which the market-leading product is currently sold, which may motivate purchasers and reimbursing payors to choose the lower cost alternative. We believe that the Epinephrine PFS product has the potential to compete successfully, although there can be no assurance that this will be the case. If our product is approved and introduced, competitors may reduce or otherwise modify the pricing of their existing products. In addition, if additional competing products are introduced in the future, such as a generic or bioequivalent, or A/B rated, version of one or more existing spring-loaded auto-injector devices, at lower prices than the current market leading products, the competitive success of our product could be adversely affected.

With the help of our contract manufacturer, on May 28, 2014, we submitted an NDA to the FDA pursuant to Section 505(b)(2) of the Food, Drug & Cosmetic Act, as amended, or FDCA, for approval of our Epinephrine PFS product. We hope to receive an approval from the FDA in time to permit our first commercial sales to commence by the end of the second quarter of 2015, although there are no assurances that this will be the case. Under goals established in connection with the Prescription Drug User Fee Act, or PDUFA, the FDA's guidance for the review and acting on standard NDA submissions that do not relate to new molecular entities, which we believe will be the case with our Epinephrine PFS product, is 10 months from the date of receipt of the submission. However, the FDA's review processes can extend beyond, and in some cases significantly beyond, anticipated completion dates due to the timing of the FDA's review process, FDA requests for additional data, information, materials or clarification, difficulties scheduling an advisory committee meeting, FDA workload issues, extensions resulting from the submission of additional information or clarification regarding information already in the submission within the last three months of the target PDUFA date, or other reasons. As a result, the dates of regulatory approval, if obtained, and commercial introduction of our product could be delayed beyond our expectations.

Asthma and COPD

According to the National Institute of Health, or NIH, asthma is a chronic lung disease that inflames and narrows the airways. Asthma causes recurring periods of wheezing, chest tightness, shortness of breath, and coughing. Asthma affects people of all ages, but it most often starts during childhood. According to information published by AAAAI reporting on findings from 2011, the number of people in the U.S. with asthma is approximately 25 million and growing.

COPD, or chronic obstructive pulmonary disease, is a progressive disease that makes it difficult to breathe. COPD can cause coughing that produces large amounts of mucus, wheezing, shortness of breath, chest tightness, and other symptoms. According to the NIH, cigarette smoking is the leading cause of COPD. However, long-term exposure to other lung irritants such as air pollution, chemical fumes, or dust may also contribute to COPD.

We estimate that global sales of asthma and COPD prescription products were in excess of approximately $14 billion in 2013, based on industry data. Within the global asthma and COPD market, we estimate that one product in particular, Advair Diskus ® marketed by GlaxoSmithKline, generated more than $4 billion in U.S. sales and $8 billion in global sales in 2013, based on GSK's publicly announced results.

APC-5000 DPI. In December 2013, we acquired assets relating to 3M's patented Taper dry powder inhaler, or DPI, technology under development by 3M for the treatment of asthma and COPD. Pursuant to our agreement with 3M, we made an initial payment of $3.0 million to 3M and acquired an exclusive license to the assets, and on December 27, 2013, we made a final payment to 3M of $7.0 million and the Taper DPI assets were transferred to us. The Taper DPI technology was under development by 3M as a device designed to efficiently deliver dry powder by utilizing a 3M proprietary microstructured carrier tape. We believe that, once developed, the device can be utilized to deliver a variety of different drug compounds. We intend to utilize the Taper DPI assets initially to develop a pre-metered inhaler device, referred to as APC-5000 DPI, for the treatment of asthma and COPD to deliver the same active ingredients as GlaxoSmithKline's Advair Diskus®. The Advair Diskus® is a dry powder inhaler, or DPI, product that combines fluticasone propionate, or fluticasone and salmeterol xinafoate, or salmeterol. Fluticasone belongs to the family of medicines known as corticosteroids or steroids. It works by preventing certain cells in the lungs and breathing passages from releasing substances that cause asthma symptoms. Inhaled salmeterol is a long-acting bronchodilator. Bronchodilators are medicines that are breathed in through the mouth to open up the bronchial tubes (air passages) in the lungs. It relieves cough, wheezing, shortness of breath, and troubled breathing by increasing the flow of air through the bronchial tubes. The combination of the two medicines is used when a patient's asthma has not been controlled sufficiently on other asthma medicines, or when a patient's condition is so severe that more than one medicine is needed every day.

Upon completion of product development and clinical trials and if required regulatory approvals are obtained, we intend to commercially market the APC-5000 DPI product to compete for a share of the Advair Diskus market with a branded generic version utilizing the acquired technology. Pursuant to our agreement with 3M, the microstructured carrier tape will be supplied by 3M under a separate supply agreement to be negotiated with 3M.

We believe that one advantage of the technology is that it can deliver drug particles without the need for lactose or formulation excipients. The majority of current dry powder products use lactose carrier excipients to enhance flowability; however, they have the disadvantage of increased bulk and require a mechanism for detaching the drug from the surface of the lactose. Lactose carrier formulations require a complicated blending process and delivery that is highly sensitive to excipient powder properties. There are currently no excipient-free dry powder inhalers in the U.S. market.

On February 24, 2015, we announced the result of our Phase 1 pharmacokinetic study, or PK study, comparing the bioavailability of our APC-5000 DPI product to GlaxoSmithKline's Advair® Diskus® DPI. This PK study was designed as an open-label, randomized, single-dose, 4 period (2 sequence, 2 treatment, fully replicated) crossover relative bioavailability study comparing APC-5000 (Fluticasone Propionate, or FP, 186 µg and Salmeterol Xinafoate, or SX, 44.7 µg; 3 inhalations; total dose 558/134.1 µg FP/SX) and Advair® Diskus® 250/50 µg (3 inhalations; total dose 750/150 µg FP/SX). Sixteen healthy male and female subjects who met the study inclusion criteria were enrolled into the study. The study involved a screening period and four treatment periods separated by four days. After completion of screening procedures, subjects were randomized to receive two doses of each Test and Reference product in four treatment periods. All sixteen subjects completed the study. The study results confirmed that systemic exposure to the drugs FP and SX was reduced after treatment with APC-5000 as compared to Advair® Diskus®.

We are currently preparing an investigational new drug application, or IND, to be submitted to the FDA to begin human testing of APC-5000 DPI. Assuming receipt of sufficient funding and if clinical trials are initiated and successfully completed, we intend to pursue an NDA under Section 505(b)(2) to seek approval for sale in the U.S. market. We also intend to seek to identify opportunities to market APC-5000 DPI based products outside of the U.S. We currently have no in-house manufacturing capabilities, so we intend to rely on third-party contract manufacturers to manufacture the materials needed to produce APC-5000 DPI. We are in the process of identifying such manufacturers.

Additional Allergy Products; APC-1000; APC-3000; and APC-2000. We have a number of additional product candidates in our allergy and respiratory product pipeline. Our APC-1000 product candidate is a steroid hydrofluoroalkane, or HFA, metered dose inhaler product, for asthma and COPD. Our product candidates, if developed and approved for marketing, will target a small niche within the larger market for respiratory products. To date, we have not made any regulatory filings with the FDA for these products.

On February 24, 2015, we announced the result of our pharmacokinetic study, or PK study, comparing o ur beclomethasone dipropionate HFA, 80 mcg Inhalation Aerosol, product, APC-1000, with Teva Respiratory, LLC's Qvar ® (Beclomethasone Dipropionate HFA, 80 mc g Inhalation Aerosol) product. The study was a Phase I open label, randomized, single-dose, four-way crossover PK study comparing APC-1000 to Qvar. Twenty-two healthy male and female subjects who met the study inclusion criteria were enrolled. The study involved a screening period before randomization and four treatment periods each separated by a minimum of three days. Both inhalation aerosols were administered to each subject for a total dose of 320 mcg BDP (4 inhalations). Twenty-one subjects completed the study. One subject was withdrawn due to non-compliance. The purpose of this PK study was to compare the bioavailability of APC-1000 to Qvar. The results showed the extent of absorption of APC-1000 to be equivalent to Qvar. We intend to initiate a Phase 3 study during the second half of 2015 comparing APC-1000 and Qvar for non-inferiority.

Our APC-3000 product candidate is a HFA pressurized metered dose nasal steroid for the treatment of seasonal and perennial allergic rhinitis. Inhaled nasal steroid, or INS, products are generally sold under prescription for seasonal allergic rhinitis. We are currently considering initiating a Phase 3 clinical trial for APC-3000 during the second half of 2015.

Our third product candidate that is in development in our allergy and respiratory pipeline, APC-2000, is a HFA bronchodilator for the treatment or prevention of bronchospasm. We have had previous discussions with the FDA regarding regulatory approval requirements and intend to have further discussions concerning, among other things, the appropriate regulatory pathway for the product under Section 505(j) relating to ANDAs, Section 505(b)(2) or otherwise.

Our development plans concerning our allergy and respiratory products, including APC-1000, 2000 and 3000, are affected by developments in the marketplace, including the introduction of potentially competing new products by our competitors. For example, certain products that previously have been available by prescription only have been approved by the FDA and introduced for sale over-the-counter without a prescription at a lower price than competing prescription products, and other new allergy or respiratory products have been or could in the future also be approved as "branded generic" products or as over-the-counter products. Such products could be sold at lower prices than prescription products, could adversely affect the willingness of health insurers or other third party payors to reimburse patients for the cost of prescription products, and could adversely affect our ability to successfully develop and market product candidates in our pipeline. As a result, our product development plans could be affected by such

considerations. The anticipated dates for development and introduction of products in our allergy and respiratory product pipeline will depend on a number of factors, including the availability of adequate funding to support product development efforts. We believe that should we decide to pursue such applications, we would be required to submit data for an application for approval to market APC-1000 and APC-3000 pursuant to Section 505(b)(2), and APC-2000 pursuant to Section 505(j) or 505(b)(2) of the FDCA, although there are no assurances that this will be the case. We believe that the next trial for APC-1000, APC-2000 and APC-3000 would be a Phase 3 pivotal trial and do not believe that Phase 1 or Phase 2 trials would be required. Total time to develop the APC-1000, APC-2000 or APC-3000 product, including manufacture of the product, clinical trials and FDA review, is expected to be approximately 24-30 months from inception of full product development efforts, assuming no unforeseen regulatory or other delays. Factors that could affect the actual launch date for our allergy and respiratory product candidates, as well as our other product candidates, include general market conditions, the outcome of discussions with the FDA concerning the number and kind of clinical trials that the FDA will require before the FDA will consider regulatory approval of the applicable product, the outcome of discussions with the FDA concerning the regulatory approval pathway of the applicable product, any unexpected difficulties in licensing or sublicensing intellectual property rights for other components of the product such as the inhaler, patent infringement lawsuits relating to Paragraph IV certifications as part of any Section 505(b)(2) or ANDA filings, see "Government Regulation—Regulation in the United States—Section 505(b)(2) New Drug Applications," any unexpected difficulties in the ability of our suppliers to timely supply quantities for commercial launch of the product, any unexpected delays or difficulties in assembling and deploying an adequate sales force to market the product, and receipt of adequate funding to support product development and sales and marketing efforts.

During fiscal 2011, we entered into a strategic manufacturing, supply, and product development agreement with Beximco Pharmaceuticals Ltd. Beximco is a leading manufacturer of pharmaceutical formulations and active pharmaceutical ingredients in Bangladesh. We intend to develop the APC-1000 and APC-2000 products with Beximco. Once developed, we anticipate that we will transfer the specifications to Beximco for manufacturing.

Subject to several factors including the availability of sufficient funding, the success of future clinical trials, obtaining required regulatory approvals and the absence of unexpected delays, we believe that up to four products, including Epinephrine PFS, could be ready for launch or launched before the end of 2017, although there can be no assurances that this will be the case.

Cancer

Although we are currently primarily focused on our specialty pharmaceutical products, we believe that there is a significant need for new products and therapies for the treatment of prostate cancer and other forms of cancer.

TeloB-VAX. In April 2011, we acquired exclusive rights to patented telomerase-based cancer vaccine technology from the Regents of the University of California, or UCSD, and the Dana-Farber/Harvard Cancer Center. The technology relates to what we believe may be a novel cell-based vaccine product candidate for cancer, tentatively named TeloB-VAX. The technology is intended to activate the body's natural defense mechanism to stimulate an immune response against one of nature's most common tumor markers, telomerase reverse transcriptase, or telomerase. We believe that a vaccine product, if developed, will utilize the patient's own B cells to induce an immune response against telomerase. Telomerase is a marker found in approximately 85% of all cancers including prostate cancer. In a Phase 1 clinical trial completed at UCSD in castrate resistant prostate cancer patients, the vaccine product candidate was shown to be safe and well tolerated. We believe that this technology may represent an opportunity to program the immune system to mobilize killer lymphocytes to combat cancer cells.

Prostate Cancer. According to the American Cancer Society, or ACS, and the National Cancer Institute, or NCI, prostate cancer is the second-most common cancer in American men and the second leading cause of cancer death in American men. The ACS estimated that for 2014 in the United States, approximately 233,000 new cases of prostate cancer will be diagnosed and about 29,480 men will die of prostate cancer in 2014. In 2010, we licensed patents and related intellectual property relating to three cancer drug candidates developed at the University of Wisconsin. We believe these drug candidates, named APC-100, -200 and -300, may offer new treatment opportunities for prostate cancer.

APC-100 is the most advanced of the three drug candidates. In animal studies conducted to date, APC-100 demonstrated anti-androgenic and anti-inflammatory activities against prostate tumors growing in animal models and showed a strong safety profile in preclinical safety studies. In 2006, APC-100 was awarded the NCI Rapid Award. The award is given by the National Cancer Institutes for promising new drugs for the treatment of cancer and resulted in significant funding for research and development of APC-100. APC-100 has demonstrated desirable pharmacological characteristics as an oral or injectable anti-inflammatory and anti-androgenic drug candidate with multiple mechanisms of action. In animal studies conducted to date, APC-100 decreased secretion of human PSA by human prostate cancer cells growing in mice and also increased the time-to-tumor progression and survival of mice with prostate sensitive and castrate resistant tumors. In August 2011, we announced the enrollment of the first patient in a Phase 1/2a prostate cancer clinical trial relating to the use of the APC-100 product to treat men with castrate-resistant prostate cancer. The trial began at the University of Wisconsin Carbone Cancer Center and was extended to the Wayne State University Karmanos Cancer Institute. In the trial, each patient will be assessed for toxicity, biochemical responses (PSA), radiographic and clinical responses.

APC-200 is a drug candidate for both castrate-sensitive and castrate resistant prostate cancer. In 2007, APC-200 was awarded the NCI Rapid Award. APC-200 blocks androgen-induced hydrogen peroxide production and inflammation and inhibits mouse prostate cancer. In animal studies conducted to date, APC-200 was an excellent inhibitor of chronic inflammation. It also completely inhibited oxidase mediated high rates of hydrogen peroxide production in vivo and delayed prostate cancer progression and death in the standard mouse prostate cancer model. If we conclude preclinical development activities, such as GMP manufacturing of drug substance and drug product, as well as conclusion of the preclinical safety, pharmacology and toxicology studies, we anticipate that the next development stage would be to submit an Adamis-sponsored IND relating to the clinical investigation of oral APC-200 in prostate cancer patients with castrate resistant prostate cancer, assuming adequate funding and no unexpected delays, although there are no assurances that we will file or open such an IND.

APC-300 is a multi-targeted small molecule therapeutic drug that we believe has the potential to demonstrate anti-inflammatory, pro-apoptotic anti-cancer activities for prostate cancer patients, including men with advanced metastatic castrate resistance prostate cancer. In preclinical in vitro studies conducted to date, APC-300 repeatedly demonstrated inhibition of human tumor cell growth and killed both castrate-sensitive and castrate-resistant human prostate cancer tumors. It also materially decreased tumor volumes and suppressed local metastasis in human to mouse xenograft models, where malignant human prostate, pancreas, or melanoma tumor tissue was grafted onto athymic immunosuppressed experimental mice. For several reasons including funding limitations, we have not yet developed a clinical protocol and other materials for submission of an IND.

We are currently primarily focused on our specialty pharmaceutical products and do not currently intend to devote a material portion of our financial resources for research and development of our cancer and biotechnology product candidates and technologies. We may explore other alternatives for development of one or more of these product candidates and technologies including seeking strategic development arrangements or out-licensing or sale transactions.

Other Technologies

STI Technology

In addition, we have licensed patented vaccine technology that we believe has the potential to provide protection against a number of different viral infectious agents. This novel vaccination strategy, which employs DNA plasmids, appears, based on preclinical studies conducted to date, to have the ability to "train" a person's immune system to recognize and mount a defense against particular aspects of a virus's structure. If successfully developed, we believe this technology could give physicians a new tool in generating immunity against a number of viral infections that have been difficult to target in the past.

The licensed technology was developed by Dr. Maurizio Zanetti, M.D., a professor at the Department of Medicine at UCSD. Dr. Zanetti has developed and patented a method of DNA vaccination by somatic transgene immunization, or STI. STI, also sometimes called TLI, has already been tested in Phase I studies in humans for other vaccine applications. An immune response was elicited in the study, and the results suggested that the procedure was safe and well tolerated. We have previously conducted certain experiments in mice utilizing the STI technology, but our testing is at the preclinical stage.

As among our cancer and vaccine technologies, our development efforts would focus initially on the development of one or more of the other licensed prostate cancer product candidates and technologies, and as a result the timing of development of this viral vaccine technology is subject to uncertainty.

Savvy/C31G

We also have a microbicide product candidate, named Savvy (C31G). On December 7, 2010, we announced the successful completion of a Phase 3 contraceptive trial of C31G. The study met its primary endpoint and was conducted by the Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD), National Institutes of Health (NIH), in the Contraceptive Clinical Trials Network at 14 sites in the United States. The clinical investigators found that C31G was not inferior in contraceptive efficacy to the comparator drug Conceptrol. Moreover, the gel was well-tolerated and had a high degree of acceptability in women who completed the study. No drug-related serious adverse events were observed with C31G. Currently, to our knowledge all spermicides commercially available in the U.S., including Conceptrol, contain the active ingredient nonoxynol-9, or N-9, in a carrier such as a gel, film, cream, foam, suppository, or tablet. N-9 has been reported in some studies to cause irritant and allergic reactions in some users. C31G does not contain N-9 and, if commercialized, may offer an alternative for women who seek a non-hormonal method of contraception. In addition, on September 9, 2013, we announced that a recently published study conducted by university researchers at Louisiana State University Health Science Center found that C31G was effective in treating Herpes Simplex Virus, or HSV, in an eye infection, ocular keratitis, and animal model using live rabbits. The rabbit eye model utilized for the study mimics the disease in humans. In the same study the researchers also reported that ocular administration of C31G was safe and well tolerated, confirming earlier clinical studies that established C31G safety and tolerability in other applications. HSV-1 is the same virus that causes cold sores and is common in humans. In the eye, it usually causes an infection of the cornea, and that infection is the

most common cause of cornea-derived blindness. In previous animal studies, C31G was also active against HSV-2, the cause of genital herpes.

Before considering any actions to seek regulatory approval for a C31G product, further meetings with the FDA would likely be required to discuss the regulatory pathways for submitting an NDA for marketing approval, including whether any additional trials will be required before an NDA is submitted. In considering commercialization alternatives, we would likely seek to enter into an out-licensing or similar transaction with organizations that have a focus or business unit in the area of antimicrobials or contraception, or in other fields where C31G may have potential as a product candidate. The C31G product candidate is held by our Biosyn, Inc. subsidiary, which we acquired in 2004. Provisions in the agreement pursuant to which we acquired Biosyn, and/or in certain of the funding agreements and other agreements relating to the C31G product, provide for payments to the former Biosyn shareholders upon marketing approval by the FDA (or, in certain circumstances, certain foreign regulatory authorities) of C31G for one or more indications, for payments to certain other third parties in the event of sales or other revenues relating to C31G or certain other events, and include limitations on certain activities of Biosyn including payment of dividends. In addition, sale or out-licensing of the C31G product candidate may require the consent of one or more such third parties. As a result, commercialization of the product could require, among other things, renegotiation of the provisions relating to the former Biosyn shareholders and such third parties. Accordingly, there can be no assurances that we will pursue or be able to successfully conclude a transaction involving C31G or concerning the amounts that we might receive from any such transaction, or that any C31G product will be submitted for regulatory approval or will be approved or marketed.

For our nine-month transition period ended December 31, 2014 and fiscal year ended March 31, 2014, we estimate that we spent approximately $3.5 million and $1.0 million, respectively, on research and development activities.

Clinical Supplies and Manufacturing

We have no in-house manufacturing or distribution capabilities and have no current plans to establish manufacturing facilities for significant clinical or commercial production. We rely on third-party contract manufacturers to make the material used to support the development of our product candidates. Our third-party manufacturers are subject to extensive governmental regulation. The FDA mandates that drugs be manufactured, packaged and labeled in conformity with current good manufacturing practices, or cGMP, regulations. In complying with cGMP regulations, manufacturers must continue to expend time, money and effort in production, record keeping and quality control to ensure that their services and products meet applicable specifications and other requirements. We intend to continue to outsource the manufacture and distribution of our products for the foreseeable future, and we believe this manufacturing strategy will enable us to direct our financial resources to commercialization without devoting the resources and capital required to build cGMP compliant manufacturing facilities. If the FDA approves our NDA relating to our Epinephrine PFS product, the Epinephrine PFS product will be manufactured by Catalent Pharma Solutions, a third party manufacturer, utilizing materials to complete the manufacturing process obtained from various companies and suppliers. Although there are potential sources of supply other than our existing suppliers, any new supplier would be required to qualify under applicable regulatory requirements.

Sales and Marketing

We are currently developing our sales and marketing infrastructure, including retaining employees and entering into arrangements with third parties for additional sales and marketing support, and undertaking other related activities in anticipation of obtaining FDA approval of our NDA relating to our Epinephrine PFS product for treating anaphylaxis.

Customers and Distribution

We do not currently sell or distribute pharmaceutical products. Since our fiscal 2010 year, we have not generated commercial revenues from marketing or selling any drugs or other products**.** If our Epinephrine PFS product is approved, we anticipate that we could commence marketing and distributing the product to initial customers including wholesalers, who in turn seek to distribute the products to retail pharmacies or other customers, specialty wholesalers or distributors, professional users such as hospitals and first responders, and the military and prison systems, as well as other potential customers. We may also retain third-party service providers to perform a variety of functions related to the distribution of our products that may be approved, including logistics management and other distribution management and data reporting services in exchange for a fee.

Competition

The biotechnology and pharmaceutical industries are extremely competitive. Our potential competitors in the field are many in number and include major pharmaceutical and specialized biotechnology companies. Many of our potential competitors have significantly more financial, technical and other resources than we do, which may give them a competitive advantage. In addition, they may have substantially more experience in effecting strategic combinations, in-licensing technology, developing drugs, obtaining regulatory approvals and manufacturing and marketing products. We cannot give any assurances that we can compete effectively with

these other biotechnology and pharmaceutical companies. Our potential competitors in these markets may succeed in developing products that could render our products and those of our collaborators obsolete or non-competitive. In addition, many of our competitors have significantly greater experience than we do in the fields in which we compete.

Our allergy and respiratory products and inhaled nasal steroid product, if developed and launched, will compete with numerous prescription and non-prescription over-the-counter products targeting similar conditions, including, in the seasonal or perennial rhinitis areas, cough and cold, as well as prescription generic products, and with other inhaled nasal steroid products. In addition, a number of large pharmaceuticals companies produce pharmaceutical products, such as antihistamines, corticosteroids and anti-leukotriene agents, which manage allergy and respiratory symptoms. Moreover, certain products that previously have been available by prescription only have been or could in the future be approved by the FDA for sale over-the-counter without a prescription at a lower price than competing prescription products, which could adversely affect our ability to successfully develop and market a competing prescription product. The Epinephrine PFS product, if commercialized, will compete against other self-administered epinephrine products, including EpiPen, EpiPen Jr., Auvi-Q and Adrenaclick. In addition, additional competing products could be introduced in the future, such as a generic or bioequivalent, or A/B, version of existing spring-loaded auto-injector devices, at prices that could adversely affect competitive success of our Epinephrine PFS product. Our APC-5000 DPI product, if developed and commercialized, is expected to compete with allergy inhaler products offered by several companies, including GlaxoSmithKline. The development and commercialization of new drugs for cancer, and of vaccine products for viral infections, is highly competitive. Most of the larger pharmaceutical companies, and many smaller public and private companies, have products or are engaged in research and development activities in these fields.

Intellectual Property

Our success will depend in large part on our ability to:

- obtain and maintain international and domestic patent and other legal protections for the proprietary technology, inventions and improvements we consider important to our business;
- prosecute and defend our patents;
- preserve our trade secrets; and
- operate without infringing the patents and proprietary rights of other parties.

We intend to continue to seek appropriate patent protection for product candidates in our research and development programs where applicable and their uses by filing patent applications in the United States and other selected countries. We intend for these patent applications to cover, where possible, claims for composition of matter, medical uses, processes for preparation and formulations. As of March 1, 2015, the Company had: (i) eight issued patents in the United States and four pending applications, two of which have been allowed; (ii) five issued and twenty-two pending foreign patent applications relating to APC 5000 DPI and C31G. The issued patents and allowed patents applications expire between 2015 and 2034, not taking into account any potential patent-term extensions that may be available in the future. We are the licensees of other patents under our various licensing agreements relating to APC 100, APC 200, APC- 300, telomerase, and STI.

Although we believe that our rights under patents and patent applications provide a competitive advantage, the patent positions of pharmaceutical and biotechnology companies are highly uncertain and involve complex legal and factual questions. We may not be able to develop patentable products or processes, and may not be able to obtain patents from pending applications. Even if patent claims are allowed, the claims may not issue, or in the event of issuance, may not be sufficient to protect the technology owned by or licensed to us. Any patents or patent rights that we obtain may be circumvented, challenged or invalidated by our competitors.

We also rely on trade secrets, proprietary know-how and continuing innovation to develop and maintain our competitive position, especially when we do not believe that patent protection is appropriate or can be obtained. We seek protection of these trade secrets, proprietary know-how and any continuing innovation, in part, through confidentiality and proprietary information agreements. However, these agreements may not provide meaningful protection for, or adequate remedies to protect, our technology in the event of unauthorized use or disclosure of information. Furthermore, our trade secrets may otherwise become known to, or be independently developed by, our competitors.

Government Regulation

Pharmaceutical Regulation

If and when we market any pharmaceutical products in the United States, they will be subject to extensive government regulation. Likewise, if we seek to market and distribute any such products abroad, they would also be subject to extensive foreign government regulation.

In the United States, the FDA regulates pharmaceutical products. FDA regulations govern the testing, manufacturing, advertising, promotion, labeling, sale and distribution of pharmaceutical products, and generally require a rigorous process for the approval of new drugs. We also may be subject to foreign regulatory requirements governing clinical trials and drug product sales if products are tested or marketed abroad. The approval process outside the United States varies from jurisdiction to jurisdiction and the time required may be longer or shorter than that required for FDA approval.

Regulation in the United States

The FDA testing and approval process requires substantial time, effort and money. We cannot assure you that any of our products will ever obtain approval. Our potential products will be regulated either as biological products or as drugs. In the United States, drugs are subject to regulation under the FDCA. Biological products, in addition to being subject to provisions of the FDCA, are regulated under the Public Health Service Act, or PHSA. Both statutes and related regulations govern, among other things, testing, manufacturing, safety, efficacy, labeling, storage, record keeping, advertising, and other promotional practices. The FDA approval process for new drugs and biologics includes, without limitation:

- preclinical studies;
- submission of an Investigational New Drug application, or IND, for clinical trials;
- adequate and well-controlled human clinical trials to establish safety and efficacy of the product;
- review of a New Drug Application, or NDA, or review of a Biologics License Application, or BLA; and
- inspection of the facilities used in the manufacturing of the drug to assess compliance with the FDA's current Good Manufacturing Practices, or cGMP, regulations.

Preclinical studies include laboratory evaluation of the product, as well as animal studies to assess the potential safety and effectiveness of the product. Most of these studies must be performed according to good laboratory practices, a system of management controls for laboratories and research organizations to ensure the consistency and reliability of results. The results of the preclinical studies, existing clinical and/or human use data (if applicable), together with manufacturing information and analytical data, are submitted to the FDA as part of an IND, which we are required to file before we can commence any clinical trials for our product candidates in the United States. Clinical trials may begin 30 days after an IND is received, unless the FDA raises concerns or questions about the conduct of the clinical trials. If concerns or questions are raised, an IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can proceed. We cannot assure you that submission of any additional IND for any of our preclinical product candidates will result in authorization to commence clinical trials.

Clinical trials involve the administration of the product candidate that is the subject of the trial to volunteers or patients under the supervision of a qualified principal investigator. Each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, at each institution at which the study will be conducted. The IRB will consider, among other things, ethical factors, safety of human subjects and the possible liability of the institution arising from the conduct of the proposed clinical trial. Also, clinical trials must be performed according to good clinical practices, which are enumerated in FDA regulations and guidance documents.

Clinical trials typically are conducted in sequential phases: Phases 1, 2 and 3. The phases may overlap. The FDA may require that we suspend clinical trials at any time on various grounds, including if the FDA makes a finding that the subjects participating in the trial are being exposed to an unacceptable health risk.

In Phase 1 clinical trials, a drug is usually tested on patients to determine safety, any adverse effects, proper dosage, absorption, metabolism, distribution, excretion and other drug effects.

In Phase 2 clinical trials, a drug is usually tested on a limited number of subjects to preliminarily evaluate the efficacy of the drug for specific, targeted indications, determine dosage tolerance and optimal dosage, and identify possible adverse effects and safety risks.

In Phase 3 clinical trials, a drug is usually tested on a larger number of subjects in an expanded patient population and at multiple clinical sites.

We cannot assure you that any of our current or future clinical trials will result in approval to market our products.

A NDA or BLA must include comprehensive and complete descriptions of the preclinical testing, clinical trials and the chemical, manufacturing and control requirements of a drug that enable the FDA to determine the drug's or biologic's safety and efficacy. A NDA or BLA must be submitted, filed and approved by the FDA before any product that we may successfully develop can be marketed commercially in the United States.

The facilities, procedures and operations for any of our contract manufacturers must be determined to be adequate by the FDA before product approval. Manufacturing facilities are subject to inspections by the FDA for compliance with cGMP, licensing specifications and other FDA regulations before and after an NDA or BLA has been approved. Foreign manufacturing facilities are also subject to periodic FDA inspections or inspections by foreign regulatory authorities. Among other things, the FDA may withhold approval of NDAs, BLAs or other product applications if deficiencies are found at the facility. Vendors that may supply us with finished products or components used to manufacture, package and label products are also subject to similar regulations and periodic inspections.

In addition, the FDA imposes a number of complex regulatory requirements on entities that advertise and promote pharmaceuticals, including, but not limited to, standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities, and promotional activities involving the Internet.

Failure to comply with FDA and other governmental regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the FDA's review of NDAs or BLAs, injunctions and criminal prosecution. Any of these actions could have a material adverse effect on us.

Some of our cancer and vaccine product candidates may involve biological products, which are subject to regulation under the PHSA. In addition to the FDA requirements, the NIH has established guidelines for research involving human genetic materials, including recombinant DNA molecules. The FDA cooperates in the enforcement of these guidelines, which apply to all recombinant DNA research that is conducted at facilities supported by the NIH, including proposals to conduct clinical research involving gene therapies. The NIH review of clinical trial proposals and safety information is a public process and often involves review and approval by the Recombinant DNA Advisory Committee, or RAC, of the NIH. Some of our cancer and vaccine product candidates may be subject to NIH RAC review.

The results of product development, preclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests, proposed labeling and other relevant information are submitted to the FDA in the form of a BLA, requesting approval to market the product for one or more specified indications. The submission of a BLA is subject to the payment of substantial user fees.

Once the FDA receives an NDA or BLA, it has 60 days to review the application to determine if it is substantially complete and the data is readable, before it accepts the NDA or BLA for filing. Once the submission is accepted for filing, the FDA begins an in-depth review of the submission to determine, among other things, whether the proposed product is safe and effective for its intended use, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, strength, quality and purity.

Under the goals and policies agreed to by the FDA under PDUFA, the FDA agrees to specific goals for NDA review time through a two-tiered classification system, Priority Review and Standard Review. A Priority Review designation is given to drugs that offer major advances in treatment, or provide a treatment where no adequate therapy exists. For a Priority Review application, the FDA aims to complete the initial review cycle for New Molecular Entities, or NMEs, within six months of the 60 day filing date, and for non-NMEs within six months of the date of receipt. Standard Review applies to all applications that are not eligible for Priority Review. The FDA aims to complete Standard Review NDAs for NMEs within ten months of the 60 day filing date, and for Non-NMEs within ten months of the date of receipt. Such dates are often referred to as the PDUFA dates. The FDA does not always meet its PDUFA dates for either Standard Reviews or Priority Reviews of NDAs or BLAs. The review process and the PDUFA date may be extended by three months if the FDA requests or the sponsor otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA date. In addition, the FDA's review processes can extend beyond, and in some cases significantly beyond, anticipated completion dates due to FDA requests for additional information or clarification, difficulties scheduling an advisory committee meeting, negotiations regarding any required risk evaluation and mitigation strategies, FDA workload issues or other reasons. The FDA may refer the application to an advisory committee for review, evaluation and recommendation as to the application's approval. The amount of time taken for the approval process is a function of a number of variables, including whether the product has received priority review, the quality of the submission and studies presented, the potential contribution that the compound will make in improving the treatment of the disease in question, and the workload at the FDA.

The FDA may, during its review of a NDA or BLA, ask for additional test data or the conducting of additional clinical trials. If the FDA does ultimately approve the product, it may require post-marketing testing to monitor the safety and effectiveness of the product. In addition, the FDA may in some circumstances impose restrictions on the use of the product, which may be difficult and expensive to administer and may require prior approval of promotional materials.

Prior to regulatory approval, the FDA may elect to obtain advice from outside experts regarding scientific issues and/or marketing applications under FDA review. These outside experts are convened through the FDA's Advisory Committee process. An

Advisory Committee will report to the FDA and make recommendations. Views of the Advisory Committee may differ from those of the FDA, and the FDA is not bound by the recommendations of an Advisory Committee.

Before approving an NDA or BLA, the FDA can inspect the facilities at which the product is manufactured. The FDA will not approve the submission unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA or BLA, the FDA will typically inspect one or more clinical sites to assure that the clinical studies were conducted in compliance with GCP requirements. If the FDA determines that the processes and procedures used are not acceptable, it will outline the deficiencies in the submission and often will request additional clinical testing or information before an NDA or BLA can be approved. The FDA may also inspect one or more of the preclinical toxicology research sites to assure that the preclinical studies were conducted in compliance with GLP requirements. If the FDA determines that the studies were not performed in compliance with applicable GLP rules and regulations, the FDA may request additional preclinical testing or information before an NDA or BLA can be approved.

The FDA will issue a complete response letter if the agency decides not to approve the NDA or BLA. The complete response letter describes all of the specific deficiencies in the submission identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the NDA or BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. In addition, the FDA may require post marketing studies, sometimes referred to as Phase 4 testing, which involves clinical trials designed to further assess drug safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized. After approval, certain changes to the approved drug or biologic, such as adding new indications, manufacturing changes or additional labeling claims, are subject to further FDA review and approval. Depending on the nature of the change proposed, an NDA or BLA supplement must be filed and approved before the change may be implemented. For many proposed post-approval changes to an NDA or BLA, the FDA has up to 180 days to review the application. As with new NDAs or BLAs, the review process is often significantly extended by FDA requests for additional information or clarification.

Following receipt of regulatory approval, any products that we market continue to be subject to extensive regulation including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product storage, sampling and distribution requirements, complying with certain electronic records and signature requirements, complying with FDA promotion and advertising requirements, which include, among others, restrictions on direct-to-consumer advertising, promoting biologics for uses or in patient populations that are not described in the product's approved labeling, known as "off-label use, and requirements relating to industry-sponsored scientific and educational activities and promotional activities involving the internet. These regulations impact many aspects of our operations, including the manufacture, labeling, packaging, adverse event reporting, storage, distribution, advertising, promotion and record keeping related to the products. The FDA also frequently requires post-marketing testing and surveillance to monitor the effects of approved products or places conditions on any approvals that could restrict the commercial applications of these products. If we fail to comply with applicable regulatory requirements, we may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, disgorgement of money, operating restrictions and criminal prosecution.

In addition to FDA restrictions on marketing of pharmaceutical products, several other types of state and federal laws have been applied to restrict certain marketing practices in the pharmaceutical industry in recent years. These laws include anti-kickback statutes and false claims statutes. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Violations of the anti-kickback statute are punishable by imprisonment, criminal fines, civil monetary penalties and exclusion from participation in federal healthcare programs. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor. If one or more of our products are approved by the FDA and we commence marketing operations, our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid. Several pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly inflating drug prices they report to pricing services, which in turn are used by the government to set Medicare and Medicaid reimbursement rates, and for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. In addition, certain marketing practices, including off-label promotion, may also violate false claims laws. The majority of states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment.

The Patient Protection and Affordable Care Act, or PPACA, enacted in 2010, imposes new reporting and disclosure requirements for pharmaceutical and device manufacturers with regard to payments or other transfers of value made to physicians and teaching hospitals. In addition, pharmaceutical and device manufacturers will also be required to report and disclose investment interests held by physicians and their immediate family members during the preceding calendar year. Failure to submit required information may result in civil monetary penalties for payments, transfers of value or ownership or investment interests not reported in an annual submission. The reforms imposed by the PPACA will significantly impact the pharmaceutical industry; however, the full effects of the new law cannot be known until these provisions are implemented. In addition, although the PPACA was recently upheld by the U.S. Supreme Court, it is possible that the PPACA may be modified or repealed in the future.

If not preempted by this federal law, several states require pharmaceutical companies to report expenses relating to the marketing and promotion of pharmaceutical products and to report gifts and payments to individual physicians in the states. Other states prohibit providing various other marketing related activities. Still other states require the posting of information relating to clinical studies and their outcomes. In addition, certain states require pharmaceutical companies to implement compliance programs or marketing codes. Currently, several additional states are considering similar proposals. Compliance with these laws is difficult and time consuming, and companies that do not comply with these state laws face civil penalties. Because of the breadth of these laws and the narrowness of the safe harbors, once we commence marketing products it is possible that some of our business activities could be subject to challenge under one or more of such laws. Such a challenge could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In addition, as part of the sales and marketing process, pharmaceutical companies frequently provide samples of approved drugs to physicians. This practice is regulated by the FDA and other governmental authorities, including, in particular, requirements concerning record keeping and control procedures. Any failure to comply with the regulations may result in significant criminal and civil penalties as well as damage to our credibility in the marketplace.

The FDA closely regulates the post-approval marketing and promotion of drugs. While physicians may choose 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 the products is limited to those indications that are specifically approved by the FDA. These "off-label" uses are not unusual across certain medical specialties and may constitute an appropriate treatment for many patients in varied circumstances. Regulatory authorities in the U.S. 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. If our promotional activities fail to comply with these 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 relating to promotion and advertising may cause the FDA to delay its approval or refuse to approve a product, suspend or withdraw of an approved product from the market, and could result in other consequences such as recalls, fines, disgorgement of money, operating restrictions, injunctions, civil or criminal prosecution or penalties, or other possible legal or regulatory actions, such as warning letters, suspension of manufacturing, seizure of product, mandated corrective advertising or communications with healthcare professionals, or criminal penalties or other negative consequences, including adverse publicity. Any of these consequences could harm our business.

We will rely, and expect to continue to rely, on third-parties for the production of clinical and commercial quantities of our products. Our collaborators may also utilize third-parties for some or all of a product we are developing with such collaborator. Manufacturers are required to comply with applicable FDA manufacturing requirements contained in the FDA's cGMP regulations. cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation. Drug manufacturers and other entities involved in the manufacture and distribution of approved biologics are required to register their establishments with the FDA and certain state agencies and are subject to periodic inspections by the FDA and certain state agencies for compliance with cGMP and other laws. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

Section 505(b)(2) New Drug Applications

Most drug products obtain FDA marketing approval pursuant to a Section 505(b)(1) NDA filing or an Abbreviated NDA, or ANDA. An alternative is a special type of NDA, commonly referred to as a Section 505(b)(2) NDA, which enables the applicant to rely, in part, on the FDA's findings of safety and efficacy of an existing product, or published literature, in support of its application. Section 505(b)(2) NDAs often provide an alternate path to FDA approval for new or improved formulations or new uses of previously approved products. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The applicant may rely upon the FDA's findings with respect to certain pre-clinical or clinical studies conducted for an approved product. The FDA may also require companies to perform additional studies or measurements to support the change from the approved product. The FDA may then approve the new product candidate for all or some of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant.

In seeking approval for a drug through an NDA, applicants are required to list with the FDA each patent whose claims cover the applicant's product or a method of using the product. Upon approval of a drug, each of the patents listed in the application for the drug is then published in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. For some drugs, the FDA may require risk evaluation and mitigation strategies, or REMS, which could include medication guides, physician communication plans, or restrictions on distribution and use, such as limitations on who may prescribe the drug or where it may be dispensed or administered.

To the extent that a Section 505(b)(2) NDA relies on clinical trials conducted for a previously approved drug product or the FDA's prior findings of safety and effectiveness for a previously approved drug product, the Section 505(b)(2) applicant must submit patent certifications in its Section 505(b)(2) application with respect to any patents for the previously approved product on which the applicant's application relies that are listed in the Orange Book. Specifically, the applicant must certify for each listed patent that, in relevant part, (1) the required patent information has not been filed; (2) the listed patent has expired; (3) the listed patent has not expired, but will expire on a particular date and approval is not sought until after patent expiration; or (4) the listed patent is invalid, unenforceable or will not be infringed by the proposed new product. A certification that the new product will not infringe the previously approved product's listed patent or that such patent is invalid or unenforceable is known as a Paragraph IV certification. If the applicant does not challenge one or more listed patents through a Paragraph IV certification, the FDA will not approve the Section 505(b)(2) NDA application until all the listed patents claiming the referenced product have expired. Further, the FDA will also not approve, as applicable, a Section 505(b)(2) NDA application until any non-patent exclusivity, such as, for example, five-year exclusivity for obtaining approval of a new chemical entity, three year exclusivity for an approval based on new clinical trials, or pediatric exclusivity, listed in the Orange Book for the referenced product, has expired.

If the Section 505(b)(2) NDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the owner of the referenced NDA for the previously approved product and relevant patent holders within 20 days after the Section 505(b)(2) NDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement suit against the Section 505(b)(2) applicant. Under the FDCA, the filing of a patent infringement lawsuit within 45 days of receipt of the notification regarding a Paragraph IV certification automatically prevents the FDA from approving the Section 505(b)(2) NDA until the earliest to occur of 30 months beginning on the date the patent holder receives notice, expiration of the patent, settlement of the lawsuit, or until a court deems the patent unenforceable, invalid or not infringed. Even if a patent infringement claim is not brought within the 45-day period, a patent infringement claim may be brought under traditional patent law, but it does not invoke the 30-month stay. Moreover, in cases where a Section 505(b)(2) application containing a Paragraph IV certification is submitted after the fourth year of a previously approved drug's five year exclusivity period and the patent holder brings suit within 45 days of notice of certification, the 30-month period is automatically extended to prevent approval of the Section 505(b)(2) application until the date that is seven and one-half years after approval of the previously approved reference product. The court also has the ability to shorten or lengthen either the 30 month or the seven and one-half year period if either party is found not to be reasonably cooperating in expediting the litigation.

As a result, we may invest a significant amount of time and expense in the development of a product and our Section 505(b)(2) applications only to be subject to significant delay and patent litigation before our product may be commercialized. Alternatively, if the prior NDA applicant or relevant patent holder does not file a patent infringement lawsuit within the specified 45-day period, the FDA may approve the Section 505(b)(2) application at any time, assuming the application is otherwise approvable.

Notwithstanding the approval of many products by the FDA pursuant to Section 505(b)(2), over the last few years, some pharmaceutical companies and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA changes its interpretation of Section 505(b)(2), or if the FDA's interpretation is successfully challenged in court, this could delay or even prevent the FDA from approving any Section 505(b)(2) NDA that we submit.

We intend to pursue a Section 505(b)(2) regulatory filing in connection with our Epinephrine PFS product, APC-1000, APC-3000, and APC-5000 DPI products and product candidates. Accordingly, if we rely in our regulatory filing on clinical trials conducted, or the FDA's prior findings of safety and effectiveness, for a previously approved drug product that involves patents referenced in the Orange Book, then we will need to make the patent certifications or the Paragraph IV certification described above. If we make a Paragraph IV certification and the holder of the previously approved product that we referenced in our application initiates patent litigation within the time periods described above, then we will be subject to the risks of patent litigation, with the accompanying delay described above and potentially material expense of patent litigation, before we could commercially market our product.

In addition, even if we submit a 505(b)(2) application, such as we have submitted for the Epinephrine PFS product and as we may submit for other future products, that relies on clinical trials conducted for a previously approved product where there are no patents for such other product with respect to which we have to provide certifications, we are subject to the risk that the FDA could disagree with our reliance on the particular previously approved product that we chose to rely on, conclude that such previously approved product is not an acceptable reference product, and require us instead to reference another previously approved product that involves patents referenced in the Orange Book, requiring us to make the certifications described above and subjecting us to the risks of delay and expense described above.

Abbreviated New Drug Applications

In contrast to the kind of clinical trial and other data that is required for an NDA submitted pursuant to Section 505(b)(1) of the FDCA, an Abbreviated New Drug Application, or ANDA, contains data that, when submitted to the FDA pursuant to Section 505(j) of the FDCA, provides for the review and ultimate approval of a product commonly referred to as a "generic equivalent" or a "generic" drug product. These kinds of drug applications are called "abbreviated" because ANDA applicants are generally not required to conduct or submit preclinical (animal) and clinical (human) data to establish safety and effectiveness of their product, other than the requirement for bioequivalence testing. Instead, a generic applicant must scientifically demonstrate that its product is bioequivalent, that is, that the product performs in the same manner as the listed drug. For locally acting inhaled products, we believe that demonstration of bioequivalency in most cases will require human clinical studies that demonstrate that the generic product performs in the same manner as the listed drug. An ANDA provides for marketing of a drug product that has the same active ingredients in the same strengths and dosage form as the listed drug and has been shown through bioequivalence testing to be therapeutically equivalent to the listed drug. Drugs approved in this way are commonly referred to as "generic equivalents" to the listed drug, and can often be substituted by pharmacists under prescriptions written for the original listed drug.

In seeking approval for a drug through an NDA, applicants are required to list with the FDA each patent with claims that cover the applicant's product. Upon approval of a drug, each of the patents listed in the application for the drug is then published in the Orange Book. Drugs listed in the Orange Book can, in turn, be cited by potential competitors in support of approval of an ANDA. The ANDA applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA's Orange Book, in a manner generally similar to the certifications that are required in connection with Section 505(b)(2) regulatory filings as described above. As with Section 505(b)(2) regulatory filings, if the applicant does not challenge the listed patents, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired.

If the ANDA applicant has provided a Paragraph IV certification to the FDA, then the procedures described above in connection with Section 505(b)(2) regulatory filings also apply, and the risks of the patent holder initiating a patent infringement lawsuit as described above also apply. The ANDA application also will not be approved until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired. Federal law provides a period of five years following approval of a drug containing no previously approved active ingredients, during which ANDAs for generic versions of those drugs cannot be submitted unless the submission contains a Paragraph IV challenge to a listed patent, in which case the submission may be made four years following the original product approval. Federal law provides for a period of three years of exclusivity following approval of a listed drug that contains previously approved active ingredients, but is approved in a new dosage form, route of administration or combination, or for a new use, the approval of which was required to be supported by new clinical trials conducted by or for the sponsor, during which FDA cannot grant effective approval of an ANDA based on that listed drug.

Regulation Outside the United States

If we market our products in foreign countries, we also will be subject to foreign regulatory requirements governing human clinical trials and marketing approval for pharmaceutical products. The requirements governing the conduct of clinical trials, product approval, pricing and reimbursement vary widely from country to country. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries must be obtained before manufacturing or marketing the product in those countries. The approval process varies from country to country and the time required for such approvals may differ

substantially from that required for FDA approval. There is no assurance that any future FDA approval of any of our clinical trials or drugs will result in similar foreign approvals or vice versa.

Additional Regulation

Third-Party Reimbursement

In the United States, physicians, hospitals and other healthcare providers that purchase pharmaceutical products generally rely on third-party payors, principally private health insurance plans, Medicare and, to a lesser extent, Medicaid, to reimburse all or part of the cost of the product and procedure for which the product is being used. Even if a product is approved for marketing by the FDA, there is no assurance that third-party payors will cover the cost of the product and related medical procedures. If they do not, end-users of the drug would not be eligible for any reimbursement of the cost, and our ability to successfully market any such drug would be materially and adversely impacted.

Reimbursement systems in international markets vary significantly by country and, within some countries, by region. Reimbursement approvals must be obtained on a country-by-country basis. In many foreign markets, including markets in which we hope to sell our products, the pricing of prescription pharmaceuticals is subject to government pricing control. In these markets, once marketing approval is received, pricing negotiations could take significant additional time. As in the United States, the lack of satisfactory reimbursement or inadequate government pricing of any of our products would limit their widespread use and lower potential product revenues.

Fraud and Abuse Laws

Federal and state anti-kickback and anti-fraud and abuse laws, as well as the federal Civil False Claims Act may apply to certain drug and device research and marketing practices. The Civil False Claims Act prohibits knowingly presenting or causing to be presented a false, fictitious or fraudulent claim for payment to the United States. Actions under the Civil False Claims Act may be brought by the Attorney General or by a private individual acting as an informer or whistleblower in the name of the government. Violations of the Civil False Claims Act can result in significant monetary penalties. The federal government is using the Civil False Claims Act, and the threat of significant liability, in its investigations of healthcare providers, suppliers and drug and device manufacturers throughout the country for a wide variety of drug and device marketing and research practices, and has obtained multi-million dollar settlements. The federal government may continue to devote substantial resources toward investigating healthcare providers', suppliers' and drug and device manufacturers' compliance with the Civil False Claims Act and other fraud and abuse laws. We may have to expend significant financial resources and management attention if we ever become the focus of such an investigation, even if we are not guilty of any wrong doings.

HIPAA

We may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, addresses the privacy and transmission of individually identifiable health information and, among other things, requires the use of standard transactions, privacy and security standards and other administrative simplification provisions, by covered entities which include many healthcare providers, health plans and healthcare clearinghouses. HIPAA instructs the Secretary of the Department of Health and Human Services to promulgate regulations implementing these standards in the United States. HITECH makes HIPAA's privacy and security standards directly applicable to business associates, such as 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. Material monetary penalties and other remedies can result from violation of these laws and regulations. In addition, many state laws also address the privacy and security of health information, and many of these laws differ from each other in significant ways, thus complicating compliance efforts.

Other Laws

We are also subject to other federal, state and local laws of general applicability, such as laws regulating working conditions, and various federal, state and local environmental protection laws and regulations, including laws such as the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other similar federal and state laws regarding, among other things, occupational safety, the use and handling of radioisotopes, environmental protection and hazardous substance control. Although we believe that we have complied with these laws and regulations in all material respects and have not been required to take any action to correct any noncompliance, there can be no assurance that we will not be required to incur significant costs to comply with environmental and health and safety regulations in the future. Our research and development activities may involve the controlled use of hazardous materials, including chemicals that cause

cancer, volatile solvents, radioactive materials and biological materials that have the potential to transmit disease, and our operations may produce hazardous waste products. If we fail to comply with these laws and regulations we could be subjected to criminal sanctions and substantial financial liability or be required to suspend or modify our operations. Although we believe that our safety procedures for handling and disposing of these materials comply in all material respects with legally prescribed standards, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of contamination or injury, we could be held liable for damages or penalized with fines in an amount exceeding our resources.

License Agreements

Agreement Relating to APC-5000 DPI

On August 1, 2013, we entered into an agreement with 3M Company to exclusively license and, upon final payment acquire, assets relating to 3M Company's patented Taper dry powder inhaler, or DPI, technology under development by 3M for the treatment of asthma and COPD. Pursuant to the agreement, we made an initial payment of $3.0 million to 3M and acquired an exclusive license to the assets for all indications in the dry powder inhalation field through December 31, 2013, and on December 27, 2013, we made a final payment to 3M of $7.0 million and the assets were transferred to us, with Adamis granting back to 3M a license to the intellectual property assets outside of the dry powder inhalation field. The intellectual property includes patents, patent applications and other intellectual property relating to the assets. The agreement includes certain other customary provisions, including representations and warranties, warranty disclaimers and indemnification provisions. We intend to utilize the assets initially to develop a pre-metered inhaler device, referred to as APC-5000 DPI, for the treatment of asthma and COPD to deliver the same active ingredients as GlaxoSmithKline's Advair Diskus.

The design of the APC-5000 DPI uses proprietary 3M technology to store the active pharmaceutical ingredients on a microstructured carrier tape. Under the agreement, 3M and Adamis have agreed to work in good faith to negotiate and enter into a separate supply agreement providing for the supply of the drug delivery tape to be used with the product.

License Agreements Relating to APC-100, APC-200 and APC-300

Pursuant to an agreement entered into in February 2010, a privately held company assigned to us all of its rights under exclusive license agreements relating to the APC-100, APC-200 and APC-300 product candidates, in return for consideration consisting of shares of our common stock. Under the license agreement, Wisconsin Alumni Research Foundation, or WARF, is the licensor of the patents, patent applications and related intellectual property relating to the compounds. Under each separate agreement, WARF grants to us, as the licensee, an exclusive license, with rights of sublicense, under the patents and patent applications identified in the agreement, for the fields of human nutraceuticals, preventatives, therapeutics and diagnostics and for all territories worldwide that are covered by any of the licensed patents.

The license agreements include milestones that we, as the licensee, agree to meet by certain dates, relating to obtaining cumulative funding by certain dates, the filing of an IND relating to a covered product, enrollment of a first patient under a Phase II clinical trial by certain dates, and filing of an NDA with the FDA relating to a covered product by certain dates. WARF has the right to terminate the license agreement with advance notice if we fail to meet any of the funding milestones or commercialization milestones. Under each agreement, we agree to pay WARF a milestone payment of $25,000 upon the filing of the first IND or comparable regulatory filing for a covered product, and additional payments upon the achievement of the additional milestones, aggregating approximately $600,000.

Under all of the agreements, we agree to pay product royalties to WARF based on net sales of covered products, at a rate of 5% of net sales. The agreements include customary stacking provisions providing for a reduction in royalties if we become obligated to pay royalties to other third parties on sales of covered products, but in all events the rate will be not less than 2.5% of net sales. In addition, if we receive any fees or other payments in consideration for any rights granted under a sublicense, and the fees or payments are not based directly on the amount or value of products sold by the sublicensee or provided as reimbursement for research and development costs incurred by us, then we are obligated to pay to WARF a percentage of such payments, ranging from 10% to 40% depending on what the stage of regulatory approval and clinical trial development at the time the payments are received. Each agreement provides that we will reimburse WARF for legal fees and other costs incurred in filing, prosecuting and maintaining the licensed patents during the term of the agreement. These amounts will accrue for a period of four years after the date of the agreement, after which time the accrued amounts will be paid in four annual installments.

The term of each agreement continues until the date that none of the licensed patents under the agreement remains an enforceable patent. We may terminate the agreement at any time with 90 days prior notice to WARF. WARF may terminate the agreement if the date of first commercial sale of a covered product does not occur by December 31, 2020 under the APC-100 and APC-200 agreements and December 31, 2021 under the APC-300 agreement. WARF may also terminate the agreement following our

failure to meet a funding or commercialization milestone, or if we fail to pay amounts when due or deliver a development report or commits a material breach of the agreement and fail to cure the default within 90 days.

Telomerase Vaccine Technology

Our telomerase vaccine technology was licensed pursuant to exclusive license agreements entered into in April 2011 with the Regents of the University of California and the Dana-Farber Cancer Institute, Inc. Pursuant to the agreement with the University of California, we acquired a license to certain patents and related intellectual property rights relating to a telomerase-based cancer vaccine technology. We licensed a complementary patent based on technology from the Dana-Farber Cancer Institute, Inc. Under the terms of the license agreement, we licensed the patents and related intellectual property for a field that includes therapeutic and preventive cancer vaccines in humans, and for a territory that includes the United States. The term of the license extends through the expiration date of the longest-lived patent rights covered by the agreement. Under the agreement, we paid to the universities a small upfront license issue fee in connection with the execution of the license agreement. We will pay the universities a small annual maintenance fee on the first three anniversaries of the date of the agreement, increasing in an immaterial amount thereafter, until we or a permitted sublicensee is commercially selling a licensed product.

For the first indication of a licensed product, we will make payments upon reaching specified milestones in clinical development and obtaining U.S. regulatory approval for a licensed product, potentially aggregating approximately $1.87 million if all milestone payments are made, including obtaining U.S. regulatory approval for a licensed product. Similar payments apply to the second indication of a licensed product. The agreement also provides that we will pay the universities royalties, in the low single digits, payable on net sales of licensed products. The agreement includes customary provisions for adjusting the royalty rate in the case of a combination product that includes a licensed product and other products or product components. The agreement includes customary royalty stacking provisions providing for a reduction in the royalty rate if we are required to pay royalties to other third parties to acquire patent rights necessary to make, use or sell licensed products, up to one-half of the amounts otherwise due to the universities.

If we enter into sublicenses of the licensed technology, then a portion of the sublicense fees received by us from the sublicensee is payable to the universities, with the exact percentage depending on the time during the product development, clinical trials and regulatory approval process that the sublicense is entered into. If we receive product royalty payments from sublicensees, we are obligated to pay a percentage of those fees to the universities, with the exact percentage depending on the status of product development and commercialization. Following commercial sales of a licensed product, the agreement provides for minimum annual royalties to the universities, with an increased amount starting with the third full year of sales. We are responsible for payment of patent costs relating to the licensed patents, including patent costs previously incurred by the universities. In the agreement, we agree to diligently proceed with the development, manufacture and sale of licensed products, and to satisfy certain development and regulatory submission milestones by certain dates. Failure to satisfy these obligations permits the universities to either terminate the license agreement or convert the license to a non-exclusive license. The universities may terminate the agreement if we fail to perform or violate any term of the agreement and do not cure the default within 60 days of notice. We may terminate the agreement upon 90 days' notice to the universities.

License Agreement Relating to Vaccine Technologies

On July 28, 2006, for consideration consisting of shares of our common stock and a $55,000 initial license fee, we entered into a worldwide exclusive license agreement with Nevagen, LLC, an entity owned by Dr. Zanetti, to utilize technology held by Nevagen within the field of viral infectious agents. The licensed intellectual property includes the use of the technology known as "Transgenic Lymphocyte Technology" covered by certain U.S. and foreign patents and patent applications. The license will terminate with the expiration of the U.S. patent for the intellectual property.

For the first product, we will make payments upon reaching specified milestones in clinical development and submission of an application regulatory approval, potentially aggregating $900,000 if all milestone payments are made. As of the date of this Annual Report on Form 10-K, no milestones have been achieved and no milestone payments have been made. The agreement also provides that we will pay Nevagen royalties, in the low single digits, payable on net sales received by us of covered products. If additional technologies are required to be licensed to produce a functional product, the royalty rate will be reduced by the amount of the royalty paid to the other licensor, but not more than one-half the specified royalty rate. Royalties and incremental payments with respect to influenza will continue until reaching a cumulative total of $10.0 million.

Adamis and Nevagen have the right to sublicense with written permission of the other party. In the event that Nevagen sublicenses or sells the improved technology to a third party, then a portion of the total payments, to be decided by mutual agreement, will be due to us. If we sublicense the intellectual property for use in influenza to a third party, Nevagen will be paid a fixed percentage of all license fees, royalties, and milestone payments, in addition to royalties due and payable based on net sales.

If we grant a sublicense to another company for any indication in the field covered by the license agreement other than with respect to influenza, Nevagen will be paid a portion of all license fees, royalties and milestone payments, with the percentage declining over time based on the year in which the sublicense is granted. Certain incremental non-flu virus related sublicensing payments described in the license agreement are specifically excluded from the royalty cap.

All improvements of the intellectual property conceived of, or reduced to practice by us, or made jointly by us and Nevagen, will be owned solely by us. We granted Nevagen a royalty-free nonexclusive license to use any improvements made on the existing technology for research purposes only, but not for any commercial purposes of any kind. We have agreed to grant to Nevagen a royalty-free license for any improvement needed for the commercialization of the intellectual property for Nevagen's use outside the field licensed to us. If Nevagen sublicenses or sells the improved technology to a third party, then a portion of the total payments, to be decided by mutual agreement, will be due to us. We also have the right of first offer to license certain related technologies from Nevagen, if and when it becomes available.

We have the right to terminate the agreement if it is determined that no viable product can come from the licensed technology. Upon such termination, we would be required to transfer and assign to Nevagen all filings, rights and other information in our control. We would retain the same royalty rights for license, or sublicense, agreements if the technology is later developed into a product. Either party may terminate the license agreement in the event of a material breach of the agreement by the other party that has not been cured or corrected within 90 days of notice of the breach.

Employees

As of December 31, 2014, we had 13 full-time employees and no part-time employees. None of our employees is subject to a collective bargaining agreement or represented by a labor or trade union, and we believe that our relations with our employees are good.

Corporate Background

Adamis Pharmaceuticals Corporation was founded in June 2006 as a Delaware corporation. Effective April 1, 2009, the company formerly named Adamis Pharmaceuticals Corporation, or Old Adamis, completed a business combination transaction with Cellegy Pharmaceuticals, Inc., or Cellegy. Before the merger, Cellegy was a public company and Old Adamis was a private company. In connection with the consummation of the merger and pursuant to the terms of the definitive merger agreement relating to the transaction, Cellegy was the surviving corporation in the merger and changed its name from Cellegy Pharmaceuticals, Inc. to Adamis Pharmaceuticals Corporation, and Old Adamis survived as a wholly-owned subsidiary and changed its corporate name to Adamis Corporation.

We have two wholly-owned subsidiaries: Adamis Corporation and Biosyn, Inc., which has rights to the C31G product. Adamis Corporation has two wholly-owned subsidiaries: Adamis Viral Therapies, Inc., or Adamis Viral, which was formed to focus on our cancer and vaccine technologies; and Adamis Laboratories, Inc., or Adamis Labs, which was formed to focus on our allergy and respiratory products.

Our principal executive offices are located at 11682 El Camino Real, Suite 300, San Diego, CA 92130, and our telephone number is (858) 997-2400. Our website address is: www.adamispharmaceuticals.com. We have included our website address as a factual reference and do not intend it to be an active link to our website.

ITEM 1A. RISK FACTORS

You should consider carefully the following information about the risks described below, together with the other information contained in this Transition Report on Form 10-K and in our other public filings in evaluating our business. Our business, financial condition, results of operations and future prospects could be materially and adversely affected by these risks if any of them actually occurs. In these circumstances, the market price of our common stock would likely decline. The risks and uncertainties described below are not the only ones we face. Additional risks not currently known to us or other factors not perceived by us to present significant risks to our business at this time also may impair our business.

Risks Related to Our Business, Industry and Financial Condition

We may never commercialize any of our products or earn a profit.

We have not received regulatory approval for any drugs or products. Since our fiscal 2010 year, we have not generated commercial revenues from marketing or selling any drugs or other products. We currently have no revenues from product sales, have not generated any revenue from operations for the last four fiscal years, and expect to incur substantial net losses for the foreseeable future to further develop and commercialize our product candidates and technologies. We may never be able to commercialize any of our product candidates or be able to generate revenues from products sales. Because of the risks and uncertainties associated with

developing and commercializing our specialty pharmaceuticals, cancer and other product candidates, we are unable to predict when we may commercially introduce products, the extent of any future losses or when we will become profitable, if ever. We may never successfully commercialize our product candidates, and our business may fail.

Our auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain further financing.

Our audited financial statements for the nine-month transition period ended December 31, 2014, were prepared under the assumption that we would continue our operations as a going concern. Our independent registered public accounting firm has included a "going concern" explanatory paragraph in its report on our financial statements for our Transition 2014 Period ended December 31, 2014, indicating that we have sustained substantial losses from continuing operations and have used, rather than provided, cash in our continuing operations, and that these factors raise substantial doubt about our ability to continue as a going concern. Uncertainty concerning our ability to continue as a going concern may hinder our ability to obtain future financing. Continued operations and our ability to continue as a going concern are dependent on our ability to obtain additional funding in the near future and thereafter, and there are no assurances that such funding will be available at all or will be available in sufficient amounts or on reasonable terms. Our financial statements do not include any adjustments that may result from the outcome of this uncertainty. Without additional funds from debt or equity financings, sales of assets, sales or out-licenses of intellectual property or technologies, or other transactions, we will exhaust our resources and will be unable to continue operations. If we cannot continue as a viable entity, our stockholders would likely lose most or all of their investment in us.

We will require additional financing to continue as a going concern.

We incurred a net loss of approximately $9.3 million for the Transition 2014 Period ended December 31, 2014, and a net loss of approximately $8.2 million for the fiscal year ended March 31, 2014. At December 31, 2014, we had cash and cash equivalents of approximately $3.8 million, no accounts receivable and liabilities of approximately $3.4 million. In January 2015, we sold common stock that resulted in net proceeds of approximately $10.7 million. The development of our business will require substantial additional capital in the future to commercialize our Epinephrine PFS product, proceed with development of the APC-5000 DPI, APC-1000 and APC-3000 products, and conduct research and develop our cancer and vaccine technologies and other product candidates, as well as to fund our ongoing operations and satisfy our obligations and liabilities. We have historically relied upon private sales of our equity or debt securities to fund our operations. We currently have no credit facility or committed sources of capital. Delays in obtaining funding could adversely affect our ability to develop and commercially introduce products and cause us to be unable to comply with our obligations under outstanding instruments.

Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates, restrict our operations or obtain funds by entering into agreements on unattractive terms, which would likely have a material adverse effect on our business, stock price and our relationships with third parties with whom we have business relationships, at least until additional funding is obtained. If we do not have sufficient funds to continue operations, we could be required to seek bankruptcy protection or other alternatives that would likely result in our stockholders losing some or all of their investment in us.

Statements in this Transition Report on Form 10-K concerning our future plans and operations are dependent on our ability to secure adequate funding and the absence of unexpected delays or adverse developments. We may not be able to secure required funding.

The statements contained in this Transition Report on Form 10-K concerning future events or developments or our future activities, such as concerning current or planned clinical trials, anticipated research and development activities, anticipated dates for commencement of clinical trials, anticipated completion dates of clinical trials, anticipated meetings with the FDA or other regulatory authorities concerning our product candidates, anticipated dates for submissions to obtain required regulatory marketing approvals, anticipated dates for commercial introduction of products, and other statements concerning our future operations and activities, are forward-looking statements that in each instance assume that we are able to obtain sufficient funding in the near term and thereafter to support such activities and continue our operations and planned activities in a timely manner. There can be no assurance that this will be the case. Also, such statements assume that there are no significant unexpected developments or events that delay or prevent such activities from occurring. Failure to timely obtain sufficient funding, or unexpected developments or events, could delay the occurrence of such events or prevent the events described in any such statements from occurring which could adversely affect our business, financial condition and results of operations.

We have incurred losses since our inception, and we anticipate that we will continue to incur losses. We may never achieve or sustain profitability.

We incurred net losses of approximately $9.3 million for the nine-month Transition 2014 Period ended December 31, 2014, and a net loss of approximately $8.2 million for the fiscal year ended March 31, 2014. From inception through December 31, 2014, we have an accumulated deficit of approximately $55.4 million. These losses will increase as we continue our research and development activities, seek regulatory approvals for our product candidates and commercialize any approved products. These losses will cause, among other things, our stockholders' equity and working capital to decrease. Any future earnings and cash flow from operations of our business are dependent on our ability to further develop our products and on revenues and profitability from sales of products.

There can be no assurance that we will be able to generate sufficient product revenue to become profitable at all or on a sustained basis. Even if we generate revenues, we expect to have quarter-to-quarter fluctuations in revenues and expenses, some of which could be significant, due to research, development, clinical trial, marketing and manufacturing expenses and activities. If our product candidates fail in clinical trials or do not gain regulatory approval, or if our products do not achieve market acceptance, we may never become profitable. As we commercialize and market products, we will need to incur expenses for product marketing and brand awareness and conduct significant research, development, testing and regulatory compliance activities that, together with general and administrative expenses, could result in substantial operating losses for the foreseeable future. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

Our limited operating history may make it difficult to evaluate our business and our future viability.

We are in the relatively early stage of operations and development of our current products and product candidates and have only a limited operating history on which to base an evaluation of our business and prospects. Even if we successfully obtain additional funding, we are subject to the risks associated with early stage companies with a limited operating history, including: the need for additional financings; the uncertainty of research and development efforts resulting in successful commercial products, as well as the marketing and customer acceptance of such products; unexpected issues with the FDA or other federal or state regulatory authorities; regulatory setbacks and delays; competition from larger organizations; reliance on the proprietary technology of others; dependence on key personnel; uncertain patent protection; fluctuations in expenses; and dependence on corporate partners and collaborators. Any failure to successfully address these risks and uncertainties could seriously harm our business and prospects. We may not succeed given the technological, marketing, strategic and competitive challenges we will face. The likelihood of our success must be considered in light of the expenses, difficulties, complications, problems and delays frequently encountered in connection with the growth of a new business, the continuing development of new drug technology, and the competitive and regulatory environment in which we operate or may choose to operate in the future.

Many of our potential products and technologies are in early stages of development.

The development of new pharmaceutical products is a highly risky undertaking, and there can be no assurance that any future research and development efforts we might undertake will be successful. Our potential products in the cancer and viral fields will require extensive additional research and development before any commercial introduction, as will research and development work on our allergy and respiratory products. There can be no assurance that any future research, development or clinical trial efforts will result in viable products or meet efficacy standards. Future clinical or preclinical results may be negative or insufficient to allow us to successfully market our product candidates. Obtaining needed data and results may take longer than planned or may not be obtained at all. Any such delays or setbacks could have a material adverse effect on our ability to achieve our financial goals.

We rely on third parties to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain, or may experience delays in obtaining, regulatory approval, or may not be successful in commercializing our planned and future products.

Like many companies our size, we do not have the ability to conduct preclinical or clinical studies for our product candidates without the assistance of third parties who conduct the studies on our behalf. These third parties are usually toxicology facilities and clinical research organizations, or CROs, that have significant resources and experience in the conduct of pre-clinical and clinical studies. The toxicology facilities conduct the pre-clinical safety studies as well as associated tasks connected with these studies. The CROs typically perform patient recruitment, project management, data management, statistical analysis, and other reporting functions. We intend to rely on third parties to conduct clinical trials of our product candidates and to use third party toxicology facilities and CROs for our pre-clinical and clinical studies. We may also rely on academic institutions or clinical research organizations to conduct, supervise or monitor some or all aspects of clinical trials involving our products.

Our reliance on these third parties for development activities will reduce our control over these activities. If these third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or for other reasons, we may be required

to replace them, and our clinical trials may be extended, delayed or terminated. Although we believe there are a number of third-party contractors that we could engage to continue these activities, replacing a third-party contractor may result in a delay of the affected trial.

Delays in the commencement or completion of clinical testing of our product candidates could result in increased costs and delay our ability to generate significant revenues.

The actual timing of commencement and completion of clinical trials can vary dramatically from our anticipated timing due to factors such as funding limitations, scheduling conflicts with participating clinicians and clinical institutions, and the rate of patient enrollment. Clinical trials involving our product candidates may not commence or be completed as forecast. Delays in the commencement or completion of clinical testing could significantly impact our product development costs. We do not know whether current or planned clinical trials will begin on time or be completed on schedule, if at all. The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

- obtaining required funding;
- obtaining regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;
- obtaining sufficient quantities of clinical trial materials for product candidates;
- obtaining institutional review board approval to conduct a clinical trial at a prospective site; and
- recruiting participants for a clinical trial.

In addition, once a clinical trial has begun, it may be suspended or terminated by us or the FDA or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements;
- inspection of the clinical trial operations or clinical trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
- failure to achieve certain efficacy and/or safety standards; or
- lack of adequate funding to continue the clinical trial.

Clinical trials require sufficient participant enrollment, which is a function of many factors, including the size of the target patient population, the nature of the trial protocol, the proximity of participants to clinical trial sites, the availability of effective treatments for the relevant disease, the eligibility criteria for our clinical trials and competing trials. Delays in enrollment can result in increased costs and longer development times. Our failure to enroll participants in our clinical trials could delay the completion of the clinical trials beyond current expectations. In addition, the FDA could require us to conduct clinical trials with a larger number of participants than we may project for any of our product candidates. As a result of these factors, we may not be able to enroll a sufficient number of participants in a timely or cost-effective manner.

Furthermore, enrolled participants may drop out of clinical trials, which could impair the validity or statistical significance of the clinical trials. A number of factors can influence the discontinuation rate, including, but not limited to: the inclusion of a placebo in a trial; possible lack of effect of the product candidate being tested at one or more of the dose levels being tested; adverse side effects experienced, whether or not related to the product candidate; and the availability of numerous alternative treatment options that may induce participants to withdraw from the trial.

We may be required to suspend, repeat or terminate our clinical trials if the trials are not well designed, do not meet regulatory requirements or the results are negative or inconclusive, which may result in significant negative repercussions on business and financial condition.

Before regulatory approval for a potential product can be obtained, we must undertake clinical testing on humans to demonstrate the tolerability and efficacy of the product. We cannot assure you that we will obtain authorization to permit product candidates that are in the preclinical development phase to enter the human clinical testing phase. In addition, we cannot assure you that any authorized preclinical or clinical testing will be completed successfully within any specified time period by us, or without significant additional resources or expertise to those originally expected to be necessary. We cannot assure you that such testing will show potential products to be safe and efficacious or that any such product will be approved for a specific indication. Further, the results from preclinical studies and early clinical trials may not be indicative of the results that will be obtained in later-stage clinical trials. In addition, we or regulatory authorities may suspend clinical trials at any time on the basis that the participants are being exposed to unacceptable health risks.

We are subject to the risk of clinical trial and product liability lawsuits.

The testing of human health care product candidates entails an inherent risk of allegations of clinical trial liability, while the marketing and sale of approved products entails an inherent risk of allegations of product liability and associated adverse publicity. We currently maintain liability insurance coverage of $1,000,000. Such insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, or at all. As we conduct additional clinical trials and introduce products into the United States market, the risk of adverse events increases and our requirements for liability insurance coverage are likely to increase. We are subject to the risk that substantial liability claims from the testing or marketing of pharmaceutical products could be asserted against us in the future. There can be no assurance that we will be able to obtain or maintain insurance on acceptable terms, particularly in overseas locations, for clinical and commercial activities or that any insurance obtained will provide adequate protection against potential liabilities. An inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could inhibit our business.

Moreover, our current and future coverages may not be adequate to protect us from all of the liabilities that we may incur. If losses from liability claims exceed our insurance coverage, we may incur substantial liabilities that exceed our financial resources. In addition, a product or clinical trial liability action against us would be expensive and time-consuming to defend, even if we ultimately prevailed. If we are required to pay a claim, we may not have sufficient financial resources and our business and results of operations may be harmed. A product liability claim brought against us in excess of our insurance coverage, if any, could have a material adverse effect upon our business, financial condition and results of operations.

We do not have commercial-scale manufacturing capability, and we lack commercial manufacturing experience. We will likely rely on third parties to manufacture and supply our product candidates.

We do not own or operate manufacturing facilities for clinical or commercial production of product candidates. We do not have any experience in drug formulation or manufacturing, and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale. Accordingly, we expect to depend on third-party contract manufacturers for the foreseeable future. Any performance failure on the part of our contract manufacturers could delay clinical development, regulatory approval or commercialization of our current or future product candidates, depriving us of potential product revenue and resulting in additional losses.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up initial production.

These problems can include difficulties with production costs and yields, quality control (including stability of the product candidate and quality assurance testing), shortages of qualified personnel, and compliance with strictly enforced federal, state and foreign regulations. If our third-party contract manufacturers were to encounter any of these difficulties or otherwise fail to comply with their obligations or under applicable regulations, our ability to provide product candidates to patients in our clinical trials or commercially would be jeopardized. If we file an application for marketing approval of the product and the FDA grants marketing approval, any delay or interruption in the supply of product could delay the commercial launch of the product or impair our ability to meet demand for the product. Difficulties in supplying products for clinical trials could increase the costs associated with our clinical trial programs and, depending upon the period of delay, require us to commence new trials or qualify new manufacturers at significant additional expense, possibly causing commercial delays or termination of the trials.

Our products can only be manufactured in a facility that has undergone a satisfactory inspection by the FDA and other relevant regulatory authorities. For these reasons, we may not be able to replace manufacturing capacity for our products quickly if we or our contract manufacturer(s) were unable to use manufacturing facilities as a result of a fire, natural disaster (including an earthquake), equipment failure, or other difficulty, or if such facilities were deemed not in compliance with the regulatory requirements and such non-compliance could not be rapidly rectified. An inability or reduced capacity to manufacture our products would have a material adverse effect on our business, financial condition, and results of operations.

We are subject to substantial government regulation, which could materially adversely affect our business. If we do not receive regulatory approvals, we may not be able to develop and commercialize our technologies.

We need FDA approval to market our proposed Epinephrine PFS product and other products in the United States, and similar approvals from foreign regulatory authorities to market products outside the United States. The production and marketing of our products and potential products and our ongoing research and development, pre-clinical testing and clinical trial activities are subject to extensive regulation and review by numerous governmental authorities in the United States and will face similar regulation and review for overseas approval and sales from governmental authorities outside of the United States. The regulatory review and approval process, which may include evaluation of preclinical studies and clinical trials of our products, as well as the evaluation of

manufacturing processes and contract manufacturers' facilities, is lengthy, expensive and uncertain. We have limited experience in filing and pursuing applications necessary to gain regulatory approvals. Many of the product candidates that we are currently developing must undergo rigorous pre-clinical and clinical testing and an extensive regulatory approval process before they can be marketed. This process makes it longer, more difficult and more costly to bring our potential products to market, and we cannot guarantee that any of our potential products will be approved. Many products for which FDA approval has been sought by other companies have never been approved for marketing. In addition to testing and approval procedures, extensive regulations also govern marketing, manufacturing, distribution, labeling, and record-keeping procedures. If we or our collaboration partners do not comply with applicable regulatory requirements, such violations could result in non-approval, suspensions of regulatory approvals, civil penalties and criminal fines, product seizures and recalls, operating restrictions, injunctions, and criminal prosecution.

Regulatory authorities generally have substantial discretion in the approval process and may either refuse to accept an application, or may decide after review of an application that the data submitted is insufficient to allow approval of the proposed product. If regulatory authorities do not accept or approve our applications, they may require that we conduct additional clinical, preclinical or manufacturing studies and submit that data before regulatory authorities will reconsider such application. We may need to expend substantial resources to conduct further studies to obtain data that regulatory authorities believe is sufficient. Depending on the extent of these studies, approval of applications may be delayed by several years, or may require us to expend more resources than we may have available. It is also possible that additional studies may not suffice to make applications approvable. If any of these outcomes occur, we may be forced to abandon our applications for approval.

Failure to obtain FDA or other required regulatory approvals, or withdrawal of previous approvals, would adversely affect our business. Even if regulatory approval of a product is granted, this approval may entail limitations on uses for which the product may be labeled and promoted, or may prevent us from broadening the uses of products for different applications.

Following regulatory approval of any of our drug candidates, we will be subject to ongoing regulatory obligations and restrictions, which may result in significant expense and limit our ability to commercialize our potential products.

With regard to our drug candidates, if any, approved by the FDA or by another regulatory authority, we are held to extensive regulatory requirements over product manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping. Regulatory approvals may also be subject to significant limitations on the indicated uses or marketing of the drug candidates. Potentially costly follow-up or post-marketing clinical studies may be required as a condition of approval to further substantiate safety or efficacy, or to investigate specific issues of interest to the regulatory authority. Previously unknown problems with the drug candidate, including adverse events of unanticipated severity or frequency, may result in restrictions on the marketing of the drug, and could include withdrawal of the drug from the market. In addition, the law or regulatory policies governing pharmaceuticals may change. New statutory requirements may be enacted or additional regulations may be enacted that could prevent or delay regulatory approval of our drug candidates. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, either in the United States or elsewhere. If we are not able to maintain regulatory compliance, we might not be permitted to market our drugs and our business could suffer.

We intend to pursue Section 505(b)(2) regulatory approval filings with the FDA for our products where applicable. Such filings involve significant costs, and we may also encounter difficulties or delays in obtaining regulatory approval for our products. Similar difficulties or delays may also arise in connection with any Abbreviated New Drug Applications that we may file.

We submitted a Section 505(b)(2) NDA regulatory filing to the FDA in connection with our Epinephrine PFS product, and we intend to pursue Section 505(b)(2) NDA filings with the FDA in connection with our APC-1000, APC-3000 and APC-5000 DPI products and product candidates. A Section 505(b)(2) NDA is a special type of NDA that enables the applicant to rely, in part, on the FDA's findings of safety and efficacy of an existing previously approved product, or published literature, in support of its application. Section 505(b)(2) NDAs often provide an alternate path to FDA approval for new or improved formulations or new uses of previously approved products. Such filings involve significant filing costs, including filing fees.

To the extent that a Section 505(b)(2) NDA relies on clinical trials conducted for a previously approved drug product or the FDA's prior findings of safety and effectiveness for a previously approved drug product, the Section 505(b)(2) applicant must submit patent certifications in its Section 505(b)(2) application with respect to any patents for the previously approved product on which the applicant's application relies and that are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. Specifically, the applicant must certify for each listed patent that, in relevant part, (1) the required patent information has not been filed; (2) the listed patent has expired; (3) the listed patent has not expired, but will expire on a particular date and approval is not sought until after patent expiration; or (4) the listed patent is invalid, unenforceable or will not be infringed by the proposed new product. A certification that the new product will not infringe the previously approved product's listed patent or that such patent is invalid or unenforceable is known as a Paragraph IV certification. If the applicant does not challenge one or more listed patents through a Paragraph IV certification, the FDA will not approve the Section 505(b)(2) NDA application until all the listed patents claiming the referenced product have expired.

If the Section 505(b)(2) NDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the owner of the referenced NDA for the previously approved product and relevant patent holders within 20 days after the Section 505(b)(2) NDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement suit against the Section 505(b)(2) applicant. Under the FDCA, the filing of a patent infringement lawsuit within 45 days of receipt of the notification regarding a Paragraph IV certification automatically prevents the FDA from approving the Section 505(b)(2) NDA until the earliest to occur of 30 months beginning on the date the patent holder receives notice, expiration of the patent, settlement of the lawsuit, or until a court deems the patent unenforceable, invalid or not infringed.

If we rely in our Section 505(b)(2) regulatory filings on clinical trials conducted, or the FDA's prior findings of safety and effectiveness, for a previously approved drug product that involves patents referenced in the Orange Book, then we will need to make the patent certifications or the Paragraph IV certification described above. If we make a Paragraph IV certification and the holder of the previously approved product that we referenced in our application initiates patent litigation within the time periods described above, then any FDA approval of our 505(b)(2) application would be delayed until the earlier of 30 months, resolution of the lawsuit, or the other events described above. Accordingly, our anticipated dates of a product that was subject to such litigation would be delayed. In addition, we would incur the expenses, which could be material, involved with any such patent litigation. As a result, we may invest a significant amount of time and expense in the development of our product only to be subject to significant delay and patent litigation before our product may be commercialized, if at all.

In addition, even if we submit a Section 505(b)(2) application, such as we have submitted for the Epinephrine PFS product, and as we may submit for other future products, that relies on clinical trials conducted for a previously approved product where there are no patents referenced in the Orange Book for such other product with respect to which we have to provide certifications, we are subject to the risk that the FDA could disagree with our reliance on the particular previously approved product that we chose to rely on, conclude that such previously approved product is not an acceptable reference product, and require us instead to rely as a reference product on another previously approved product that involves patents referenced in the Orange Book, requiring us to make the certifications described above and subjecting us to additional delay, expense and the other risks described above.

Similarly, if we submit one or more ANDA applications to the FDA pursuant to Section 505(j) of the FDCA in connection with one or more of our product candidates, we could encounter generally similar difficulties or delays, including difficulties or delays resulting from the Paragraph IV certification process or from any clinical trials that might be required in connection with any such ANDAs.

If we fail to obtain acceptable prices or appropriate reimbursement for our products, our ability to successfully commercialize our products will be impaired.

Government and insurance reimbursements for healthcare expenditures play an important role for all healthcare providers, including physicians and pharmaceutical companies such as Adamis, that plan to offer various products in the United States and other countries in the future. Physicians and patients may decide not to order our products unless third-party payors, such as managed care organizations as well as government payors such as Medicare and Medicaid, pay a substantial portion of the price of the products. Market acceptance and sales of our products and potential products will depend in part on the extent to which reimbursement for the costs of such products will be available from government health administration authorities, private health coverage insurers, managed care organizations, and other organizations. In the United States, our ability to have our products eligible for Medicare, Medicaid or private insurance reimbursement will be an important factor in determining the ultimate success of our products. If, for any reason, Medicare, Medicaid or the insurance companies decline to provide reimbursement for our products, our ability to commercialize our products would be adversely affected.

Third-party payors may challenge the price of medical and pharmaceutical products. Reimbursement by a third-party payor may depend on a number of factors, including a payor's determination that our product candidates are:

- not experimental or investigational;
- effective;
- medically necessary;
- appropriate for the specific patient;
- cost-effective;
- supported by peer-reviewed publications; and
- included in clinical practice guidelines.

If purchasers or users of our products and related treatments are not able to obtain appropriate reimbursement for the cost of using such products, they may forego or reduce such use. Significant uncertainty exists as to the reimbursement status of newly approved pharmaceutical products, and there can be no assurance that adequate third-party coverage will be available for any of our products. Even if our products are approved for reimbursement by Medicare, Medicaid and private insurers, of which there can be no

assurance, the amount of reimbursement may be reduced at times or even eliminated. This would have a material adverse effect on our business, financial condition and results of operations.

Legislative or regulatory reform of the healthcare system may affect our ability to sell our products profitably.

In both the United States and certain foreign jurisdictions, there have been and are expected to be a number of legislative and regulatory changes to the healthcare system in ways that could impact our ability to sell our products profitably, including the Patient Protection and Affordable Care Act signed into law in the United States in March 2010. Given the enactment of these laws and other federal and state legislation and regulations relating to the healthcare system, it is still too early to determine their impact on the biotechnology and pharmaceutical industries and our business. The U.S. Congress continues to consider issues relating to the healthcare system, and future legislation or regulations may affect our ability to market and sell products on favorable terms, which would affect our results of operations, as well as our ability to raise capital, obtain additional collaborators or profitably market our products. Such legislation or regulation may reduce our revenues, increase our expenses or limit the markets for our products. In particular, we expect to experience pricing pressures in connection with the sale of our products due to the influence of health maintenance and managed health care organizations and additional legislative proposals.

We have limited sales, marketing and distribution experience.

We have limited experience in the sales, marketing, and distribution of pharmaceutical products. There can be no assurance that we will be able to establish sales, marketing, and distribution capabilities or make arrangements with our current collaborators or others to perform such activities or that such efforts will be successful. If we decide to market any products directly, we must either acquire or internally develop a marketing and sales force with technical expertise and with supporting distribution capabilities. The acquisition or development of a sales, marketing and distribution infrastructure would require substantial resources, which may not be available to us or, even if available, could divert the attention of our management and key personnel and have a negative impact on further product development efforts.

We may seek to enter into arrangements to develop and commercialize our products. These collaborations, if secured, may not be successful.

We have entered into arrangements with third parties regarding development and commercialization of some of our products and may in the future seek to enter into collaborative arrangements to develop and commercialize some of our potential products both in North America and international markets. There can be no assurance that we will be able to negotiate collaborative arrangements on favorable terms or at all or that our current or future collaborative arrangements will be successful. The amount and timing of resources such third parties will devote to these activities may not be within our control. There can be no assurance that such parties will perform their obligations as expected. There can be no assurance that our collaborators will devote adequate resources to our products.

If our potential products are unable to compete effectively with current and future products targeting similar markets as our potential products, our commercial opportunities will be reduced or eliminated.

The markets for epinephrine products, our proposed APC-5000 inhaler product and other allergy and respiratory products, and cancer and vaccine products, are intensely competitive and characterized by rapid technological progress. We face competition from numerous sources, including major biotechnology and pharmaceutical companies worldwide. Many of our competitors have substantially greater financial and technical resources, and development, production and marketing capabilities, than we do. Certain companies have established technologies that may be competitive with our product candidates and any future products that we may develop or acquire. Some of these products may use different approaches or means to obtain results, which could be more effective or less expensive than our products for similar indications. In addition, many of these companies have more experience than we do in pre-clinical testing, clinical trials and manufacturing of compounds, obtaining FDA and foreign regulatory approvals, and brand name exposure and expertise in sales and marketing. We also compete with academic institutions, governmental agencies and private organizations that are conducting research in the same fields.

Competition among these entities to recruit and retain highly qualified scientific, technical and professional personnel and consultants is also intense. As a result, there is a risk that one or more of our competitors will develop a more effective product for the same indications for which we are developing a product or, alternatively, bring a similar product to market before we can do so. Failure to successfully compete will adversely impact the ability to raise additional capital and ultimately achieve profitable operations.

Our product candidates may not gain acceptance among physicians, patients, or the medical community, thereby limiting our potential to generate revenues, which will undermine our future growth prospects.

Even if our product candidates are approved for commercial sale by the FDA or other regulatory authorities, the degree of market acceptance of any approved product candidate by physicians, health care professionals and third-party payors, and our profitability and growth will depend on a number of factors, including:

- the ability to provide acceptable evidence of safety and efficacy;
- pricing and cost effectiveness, which may be subject to regulatory control;
- our ability to obtain sufficient third-party insurance coverage or reimbursement;
- effectiveness of our or our collaborators' sales and marketing strategy;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects; and
- availability of alternative treatments.

If any product candidate that we develop does not provide a treatment regimen that is at least as beneficial as the current standard of care or otherwise does not provide some additional patient benefit over the current standard of care, that product will not achieve market acceptance and we will not generate sufficient revenues to achieve profitability.

If we suffer negative publicity concerning the safety of our products in development, our sales may be harmed and we may be forced to withdraw such products.

If concerns should arise about the safety of any of our products that are marketed, regardless of whether or not such concerns have a basis in generally accepted science or peer-reviewed scientific research, such concerns could adversely affect the market for these products. Similarly, negative publicity could result in an increased number of product liability claims, whether or not these claims are supported by applicable law.

Our failure to adequately protect or to enforce our intellectual property rights or secure rights to third party patents could materially harm our proprietary position in the marketplace or prevent the commercialization of our products.

Our success depends in part on our ability to obtain and maintain protection in the United States and other countries for the intellectual property covering or incorporated into our technologies and products. The patents and patent applications in our existing patent portfolio are either owned by us or licensed to us. Our ability to protect our product candidates from unauthorized use or infringement by third parties depends substantially on our ability to obtain and maintain, or license, valid and enforceable patents. Due to evolving legal standards relating to the patentability, validity and enforceability of patents covering pharmaceutical inventions and the scope of claims made under these patents, our ability to obtain and enforce patents is uncertain and involves complex legal and factual questions for which important legal principles are unresolved.

There is a substantial backlog of patent applications at the United States Patent and Trademark Office, or USPTO. There can be no assurance that any patent applications relating to our products or methods will be issued as patents, or, if issued, that the patents will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide a competitive advantage. We may not be able to obtain patent rights on products, treatment methods or manufacturing processes that we may develop or to which we may obtain license or other rights. Even if we do obtain patents, rights under any issued patents may not provide us with sufficient protection for our product candidates or provide sufficient protection to afford us a commercial advantage against our competitors or their competitive products or processes. It is possible that no patents will be issued from any pending or future patent applications owned by us or licensed to us. Others may challenge, seek to invalidate, infringe or circumvent any patents we own or license. Alternatively, we may in the future be required to initiate litigation against third parties to enforce our intellectual property rights. The defense and prosecution of patent and intellectual property claims are both costly and time consuming, even if the outcome is favorable to us. Any adverse outcome could subject us to significant liabilities, require us to license disputed rights from others, or require us to cease selling our future products.

In addition, many other organizations are engaged in research and product development efforts that may overlap with our products. Such organizations may currently have, or may obtain in the future, legally blocking proprietary rights, including patent rights, in one or more products or methods under development or consideration by us. These rights may prevent us from commercializing technology, or may require us to obtain a license from the organizations to use the technology. We may not be able to obtain any such licenses that may be required on reasonable financial terms, if at all, and we cannot be sure that the patents underlying any such licenses will be valid or enforceable. As with other companies in the pharmaceutical industry, we are subject to the risk that persons located in other countries will engage in development, marketing or sales activities of products that would infringe our patent rights if such activities were conducted in the United States.

Our patents also may not afford protection against competitors with similar technology. We may not have identified all patents, published applications or published literature that affect our business either by blocking our ability to commercialize our product candidates, by preventing the patentability of our products or by covering the same or similar technologies that may affect our ability to market or license our product candidates. Many companies have encountered difficulties in protecting and defending their intellectual property rights in foreign jurisdictions. If we encounter such difficulties or are otherwise precluded from effectively protecting our intellectual property rights in either the United States or foreign jurisdictions, our business prospects could be substantially harmed. In addition, because of funding limitations and our limited cash resources, we may not be able to devote the resources that we might otherwise desire to prepare or pursue patent applications, either at all or in all jurisdictions in which we might desire to obtain patents, or to maintain already-issued patents.

We may become involved in patent litigations or other intellectual property proceedings relating to our future product approvals, which could result in liability for damages or delay or stop our development and commercialization efforts.

The pharmaceutical industry has been characterized by significant litigation and other proceedings regarding patents, patent applications, trademarks, and other intellectual property rights. The situations in which we may become parties to such litigation or proceedings may include any third parties initiating litigation claiming that our products infringe their patent or other intellectual property rights, or that one of our trademarks or trade names infringes the third party's trademark rights; in such case, we will need to defend against such proceedings. For example, the field of generic pharmaceuticals is characterized by frequent litigation that occurs in connection with the regulatory filings under Section 505(b)(2) of the FDCA and attempts to invalidate the patent of the reference drug.

The costs of resolving any patent litigation or other intellectual property proceeding, even if resolved in our favor, could be substantial. Many of our potential competitors will be able to sustain the cost of such litigation and proceedings more effectively than we can because of their substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other intellectual property proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other intellectual property proceedings may also consume significant management time.

In the event that a competitor infringes upon our patent or other intellectual property rights, enforcing those rights may be costly, difficult, and time-consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time-consuming and could divert our management's attention. We may not have sufficient resources to enforce our intellectual property rights or to defend our patent or other intellectual property rights against a challenge. If we are unsuccessful in enforcing and protecting our intellectual property rights and protecting our products, it could materially harm our business.

We depend on our officers. If we are unable to retain our key employees or to attract additional qualified personnel, our product operations and development efforts may be seriously jeopardized.

Our success will be dependent upon the efforts of a small management team and staff, including Dennis J. Carlo, Ph.D., our chief executive officer. The employment of Dr. Carlo may be terminated at any time by either us or Dr. Carlo. We currently do not have key man life insurance policies covering any of our executive officers or key employees. If key individuals leave us, we could be adversely affected if suitable replacement personnel are not quickly recruited. There is competition for qualified personnel in all functional areas, which makes it difficult to attract and retain the qualified personnel necessary for the operation of our business. Our success also depends in part on our ability to attract and retain highly qualified scientific, commercial and administrative personnel. If we are unable to attract new employees and retain existing key employees, the development and commercialization of our product candidates could be delayed or negatively impacted.

We may experience difficulties in managing growth.

We are a small company. Future growth will impose significant added responsibilities on members of management, including the need to identify, attract, retain, motivate and integrate highly skilled personnel. We may increase the number of employees in the future depending on the progress of our development of our products and technologies. Our future financial performance and our ability to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to:

- manage our clinical studies effectively;
- integrate additional management, administrative, manufacturing and regulatory personnel;
- maintain sufficient administrative, accounting and management information systems and controls; and
- hire and train additional qualified personnel.

We may not be able to accomplish these tasks, and our failure to accomplish any of them could harm our financial results.

There are significant limitations on our ability in the future to utilize any net operating loss carry forwards for federal and state income tax purposes.

At December 31, 2014, we had net operating loss carry forwards of approximately $136 million and $64 million for federal and state purposes, respectively. The net operating loss carry forwards expire through the year 2031. The Tax Reform Act of 1986, as amended, or the TRA, provides for a limitation on the annual use of net operating loss carry forwards following certain ownership changes that could limit our ability to utilize these carry forwards. We most likely have experienced various ownership changes, as defined by the TRA, as a result of past financings and merger transactions. Accordingly, our ability to utilize some or all of these carry forwards is likely limited. Additionally, U.S. tax laws limit the time during which these carry forwards may be applied against future taxes, and as a result we may not be able to take full advantage of these carry forwards for federal income tax purposes.

Risks Related to Our Common Stock

Provisions of our charter documents could discourage an acquisition of our company that would benefit our stockholders and may have the effect of entrenching, and making it difficult to remove, management.

Provisions of our restated certificate of incorporation and bylaws may make it more difficult for a third party to acquire control of us, even if a change of control would benefit our stockholders. For example, shares of our preferred stock may be issued in the future without further stockholder approval, and upon such terms and conditions, and having such rights, privileges and preferences, as our board of directors may determine, including, for example, rights to convert into our common stock. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any of our preferred stock that may be issued in the future. The issuance of our preferred stock could have the effect of making it more difficult for a third party to acquire control of us. This could limit the price that certain investors might be willing to pay in the future for shares of our common stock and discourage those investors from acquiring a majority of our common stock. Similarly, our bylaws require that any stockholder proposals or nominations for election to our board of directors must meet specific advance notice requirements and procedures, which make it more difficult for our stockholders to make proposals or director nominations. The existence of these charter provisions could have the effect of entrenching management and making it more difficult to change our management. Furthermore, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law. These provisions may prohibit or restrict large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us, unless one or more exemptions from such provisions apply. These provisions under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of our common stock in the future.

The price of our common stock may be volatile.

The market price of our common stock may fluctuate substantially. For example, from April 2013 to December 31, 2014, the market price of our common stock, adjusted retroactively to give effect to our 1-for-17 reverse split of the common stock in December 2013, has fluctuated between $2.82 and $12.84. Market prices for securities of early-stage pharmaceutical, biotechnology and other life sciences companies have historically been particularly volatile. Some of the factors that may cause the market price of our common stock to fluctuate include:

- relatively low trading volume, which can result in significant volatility in the market price of our common stock based on a relatively smaller number of trades and dollar amount of transactions;
- the timing and results of our current and any future preclinical or clinical trials of our product candidates;
- the entry into or termination of key agreements, including, among others, key collaboration and license agreements;
- the results and timing of regulatory reviews relating to the approval of our product candidates;
- the initiation of, material developments in, or conclusion of, litigation to enforce or defend any of our intellectual property rights;
- failure of any of our product candidates, if approved, to achieve commercial success;
- general and industry-specific economic conditions that may affect our research and development expenditures;
- the results of clinical trials conducted by others on products that would compete with our product candidates;
- issues in manufacturing our product candidates or any approved products;
- the loss of key employees;
- the introduction of technological innovations or new commercial products by our competitors;
- changes in estimates or recommendations by securities analysts, if any, who cover our common stock;
- future sales of our common stock;
- period-to-period fluctuations in our financial results;
- publicity or announcements regarding regulatory developments relating to our products;
- period-to-period fluctuations in our financial results, including our cash and cash equivalents balance, operating expenses, cash burn rate or revenue levels;

- common stock sales in the public market by one or more of our larger stockholders, officers or directors;
- our filing for protection under federal bankruptcy laws;
- a negative outcome in any litigation or potential legal proceeding; or
- other potentially negative financial announcements, such as a review of any of our filings by the SEC, changes in accounting treatment or restatement of previously reported financial results or delays in our filings with the SEC.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of our common stock. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation.

Trading of our common stock is limited.

Trading of our common stock is limited, and trading restrictions imposed on us by applicable regulations may further reduce our trading, making it difficult for our stockholders to sell their shares.

Prior to the listing of our common stock on the NASDAQ Capital Market, trading of our common stock was conducted on the OTCQB. The liquidity of our common stock is limited, not only in terms of the number of shares that can be bought and sold at a given price, but also as it may be adversely affected by delays in the timing of transactions and reduction in security analysts' and the media's coverage of us, if at all.

The foregoing factors may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock. In addition, without a large public float, our common stock is less liquid than the stock of companies with broader public ownership, and as a result, the trading price of our common stock may be more volatile. In the absence of an active public trading market, an investor may be unable to liquidate his or her investment in our common stock. Trading of a relatively small volume of our common stock may have a greater impact on the trading price of our stock than would be the case if our public float were larger. We cannot predict the price at which our common stock will trade at any given time.

Our common stock could become subject to additional trading restrictions as a "penny stock," which could adversely affect the liquidity and price of such stock. If our common stock became subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

Prior to the listing of our common stock on the NASDAQ Capital Market, our common stock was traded on the OTCQB. The OTCQB, the OTC Bulletin Board and Pink Sheets are viewed by most investors as a less desirable, and less liquid, marketplace. As a result, if our common stock was delisted from the NASDAQ Capital Market and was traded on the OTCQB, the OTC Bulletin Board or the Pink Sheets, an investor could find it more difficult to purchase, dispose of or obtain accurate quotations as to the value of our common stock.

Unless our common stock is listed on a national securities exchange, such as the NASDAQ Capital Market, our common stock may also be subject to the regulations regarding trading in "penny stocks," which are those securities trading for less than $5.00 per share, and that are not otherwise exempted from the definition of a penny stock under other exemptions provided for in the applicable regulations. The following is a list of the general restrictions on the sale of penny stocks:

- Before the sale of penny stock by a broker-dealer to a new purchaser, the broker-dealer must determine whether the purchaser is suitable to invest in penny stocks. To make that determination, a broker-dealer must obtain, from a prospective investor, information regarding the purchaser's financial condition and investment experience and objectives. Subsequently, the broker-dealer must deliver to the purchaser a written statement setting forth the basis of the suitability finding and obtain the purchaser's signature on such statement.
- A broker-dealer must obtain from the purchaser an agreement to purchase the securities. This agreement must be obtained for every purchase until the purchaser becomes an "established customer."
- The Securities Exchange Act of 1934, or the Exchange Act, requires that before effecting any transaction in any penny stock, a broker-dealer must provide the purchaser with a "risk disclosure document" that contains, among other things, a description of the penny stock market and how it functions and the risks associated with such investment. These disclosure rules are applicable to both purchases and sales by investors.
- A dealer that sells penny stock must send to the purchaser, within 10 days after the end of each calendar month, a written account statement including prescribed information relating to the security.

These requirements can severely limit the liquidity of securities in the secondary market because fewer brokers or dealers are likely to be willing to undertake these compliance activities. If our common stock is not listed on a national securities exchange, the rules and restrictions regarding penny stock transactions may limit an investor's ability to sell to a third party and our ability to raise additional capital. We make no guarantee that market-makers will make a market in our common stock, or that any market for our common stock will continue.

In preparing our consolidated financial statements, our management determined that our disclosure controls and procedures, and that our internal controls over financial reporting, were ineffective as of December 31, 2014, which could result in material misstatements in our financial statements. If we continue to fail to comply with the rules under the Sarbanes-Oxley Act of 2002 related to disclosure controls and procedures, or, if we discover additional material weaknesses and other deficiencies in our internal controls over financial reporting, our stock price could decline and raising capital could be more difficult.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. As of December 31, 2014, our management determined that our disclosure controls and procedures were ineffective, and that there was a material weakness in our internal controls over financial reporting, due to insufficient segregation of duties in our finance and accounting function because of limited personnel, based on the absence of finance and accounting personnel during most of the Transition 2014 Period other than the Chief Financial Officer. This resulted in not ensuring appropriate segregation of duties between incompatible functions, and made it more difficult to ensure review of financial reporting issues sufficiently in advance of the dates on which filings are required to be made with the SEC and to ensure that financial information is adequately analyzed and reviewed on a timely basis to detect misstatements. These above deficiencies represent a material weakness in our internal control over financial reporting given that they result in a reasonable possibility that a material misstatement to the annual or interim financial statements would not have been prevented or detected. In addition, management determined that our disclosure controls and procedures, and that our internal controls over financial reporting, had several significant deficiencies which did not rise to the level of material weaknesses.

If remedial measures that we have taken and intend to take are insufficient to address the ineffectiveness of our disclosure controls and procedures and our internal controls over financial reporting, or if other material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future and the ineffectiveness of our disclosure controls and procedures continues, we may fail to meet our future reporting obligations on a timely basis, our consolidated financial statements may contain material misstatements, we could be required to restate our prior period financial results, our operating results may be harmed, and we could become subject to class action litigation. Internal control deficiencies and ineffective disclosure controls and procedures could also cause investors to lose confidence in our reported financial information. We can give no assurance that the measures we plan to take in the future will remediate the ineffectiveness of our disclosure controls and procedures or that any material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or adequate disclosure controls and procedures or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could decline.

Our stockholders may experience significant dilution as a result of any additional financing using our securities, as the result of the exercise or conversion of our outstanding securities.

We will need to raise significant additional capital in order to maintain and continue our operations. To the extent that we raise additional funds by issuing equity securities or securities convertible into or exercisable for equity securities, our stockholders may experience significant dilution. In addition, conversion or exercise of other outstanding options, warrants or convertible securities could result in there being a significant number of additional shares outstanding and dilution to our stockholders. Certain of our outstanding securities include anti-dilution provision providing that, with certain exceptions, if we issue shares of common stock or options, warrants, convertible securities or other common stock equivalents, at an effective price per share less than the conversion or exercise price of such securities, the conversion or exercise price of such securities (and, in certain circumstances, the number of shares issuable upon exercise or conversion of such securities) will be adjusted downward to equal the per share price of the securities issued in such transaction, entitling the holders to pay a lower per share exercise price and/or to acquire a larger number of shares upon exercise or conversion of such securities, which could result in dilution to our stockholders. As a result, sale of additional equity or convertible securities at prices below certain levels could trigger anti-dilution provisions with respect to certain securities we have previously sold. In addition, if additional funds are raised through the issuance of preferred stock, holders of preferred stock would likely have rights that are senior to the rights of holders of our common stock, and the agreements relating to any such issuance could contain covenants that would restrict our operations.

We have not paid cash dividends on our common stock in the past and do not expect to pay cash dividends on our common stock for the foreseeable future. Any return on investment may be limited to the value of our common stock.

No cash dividends have been paid on our common stock, and we do not expect to pay cash dividends on our common stock in the foreseeable future. Payment of dividends would depend upon our profitability at the time, cash available for those dividends, and other factors as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on a stockholder's investment will only occur if our stock price appreciates.

A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline and may impair our ability to raise capital in the future.

There have been and may continue to be periods when our common stock could be considered "thinly-traded," meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. Finance transactions resulting in a large amount of newly issued shares that become readily tradable, conversion of outstanding convertible notes or exercise of outstanding warrants and sale of the shares issuable upon conversion of such notes or exercise of such warrants, or other events that cause stockholders to sell shares, could place downward pressure on the trading price of our stock. In addition, the lack of a robust resale market may require a stockholder who desires to sell a large number of shares of common stock to sell the shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock. If our stockholders sell, or the market perceives that our stockholders intend to sell for various reasons, substantial amounts of our common stock in the public market, the market price of our common stock could decline. Sales of a substantial number of shares of our common stock may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We may never obtain substantial research coverage by industry or financial analysts. If no or few analysts commence or continue coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.

Our restated certificate of incorporation gives our board of directors the right to create new series of preferred stock. As a result, the board of directors may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights which could adversely affect the voting power and equity interest of the holders of common stock. Preferred stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our common stock.

Future sales of substantial amounts of our common stock, or the possibility that such sales could occur, could adversely affect the market price of our common stock.

We expect to incur research, development and selling, general and administrative costs, and to satisfy our funding requirements we will need to sell additional equity securities, which may be subject to registration rights, and warrants with anti-dilutive protective provisions. Future sales in the public market of our common stock, or shares issued upon exercise of our outstanding stock options, warrants or convertible securities, or the perception by the market that these issuances or sales could occur, could lower the market price of our common stock or make it difficult for us to raise additional capital. Our stockholders may experience substantial dilution and a reduction in the price that they are able to obtain upon the sale of their shares. Also, new equity securities issued may have greater rights, preferences or privileges than our existing common stock.

As of March 26, 2015, we had 13,331,438 shares of common stock issued and outstanding, substantially all of which we believe may be sold publicly, subject in some cases to volume and other limitations, provisions or limitations in registration rights agreements, or prospectus-delivery or other requirements relating to the effectiveness and use of registration statements registering the resale of such shares.

As of March 26, 2015, we had reserved for issuance 1,852,885 shares of our common stock issuable upon the exercise of outstanding stock options under our equity incentive plans at a weighted-average exercise price of $5.64 per share, and we had outstanding warrants to purchase 2,378,817 shares of common stock. Subject to applicable vesting requirements, upon exercise of these options or warrants, the underlying shares may be resold into the public market, subject in some cases to volume and other

limitations or prospectus delivery requirements pursuant to registration statements registering the resale of such shares. In the case of outstanding options or warrants that have exercise prices that are below the market price of our common stock from time to time, our stockholders would experience dilution upon the exercise of these options.

Some of our outstanding warrants may result in dilution to our stockholders.

As of December 31, 2014, we had outstanding warrants, other than the warrants described in the next sentence, to purchase 1,753,735 shares of common stock, including the 1,418,439 shares of common stock issuable upon exercise of the Series A Convertible Preferred Stock warrants, at a weighted average exercise price of $4.18 per share. As of December 31, 2014, 647,314 shares of our common stock were is issuable upon exercise of warrants that we issued in our June 2013 private placement transaction (the "June Warrants") at a current exercise price of $3.40 per share. The 1,418,439 shares of our common stock were issuable (subject to certain beneficial ownership limitations) upon exercise of warrants that we issued in our August 2014 private placement transaction at an exercise price of $3.40 per share, and 1,418,439 shares of Series A Convertible Preferred Stock were convertible on a one-for-one basis (subject to certain beneficial ownership limitations) into 1,418,439 shares of common stock. The June Warrants contained full-ratchet anti-dilution provisions that will be triggered, and that will provide for a reduction in the exercise price of the June Warrants (and, in certain circumstances, an increase in the number of shares issuable upon exercise), upon any issuance by us of shares of our common stock or common stock equivalents at a price per share below the then-exercise price of the June Warrants, subject to some exceptions. In the event of conversion of shares of Series A Preferred, or exercise of warrants that have exercise prices that are below the market price of our common stock from time to time, our stockholders would experience dilution upon the conversion of such shares or exercise of such warrants.

Our principal stockholders have significant influence over us, they may have significant influence over actions requiring stockholder approval, and your interests as a stockholder may conflict with the interests of those persons.

Based on the number of outstanding shares of our common stock held by our stockholders as of March 26, 2015, our directors, executive officers and their respective affiliates owned approximately 5% of our outstanding shares of common stock and our largest stockholder owned approximately 13% of the outstanding shares of our common stock. As a result, those stockholders have the ability to exert a significant degree of influence with respect to the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. The interests of these persons may not always coincide with our interests or the interests of our other stockholders. This concentration of ownership could harm the market price of our common stock by (i) delaying, deferring or preventing a change in corporate control, (ii) impeding a merger, consolidation, takeover or other business combination involving us, or (iii) discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's principal headquarters consisting of approximately 7,525 square feet of leased premises is located at 11682 El Camino Real, Suite 300, San Diego, CA 92130. The Company occupies this space pursuant to a sublease agreement with a term that expired on November 30, 2014; rent during the term was $15,050 per month. The Company has entered into a lease agreement to lease the same space with a term commencing December 1, 2014. The lease has a basic term expiring four years after the commencement date, and the Company has an option to extend the term of the lease for an additional three years. Average rent during the term will be $23,304 per month, with a deposit of $170,000 paid in November 2014.

ITEM 3. LEGAL PROCEEDINGS

We may become involved in or subject to routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business. Any such litigation could divert management time and attention from Adamis, could involve significant amounts of legal fees and other fees and expenses, or could have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is traded on the Nasdaq Capital Market under the trading symbol "ADMP." The following table sets forth the range of high and low sales prices for the common stock as reported for the periods indicated below. Through December 12, 2013, our common stock was quoted on the OTCQB under the symbol "ADMP." The quotations below reflect inter-dealer prices, without retail mark-up, markdown or commission, may not represent actual transactions, and reflect the 1-for-17 reverse stock split of our common stock that was effected in December 2013.

	High	Low
Fiscal 2014		
First Quarter *(April 2013 - June 2013)*	$ 12.84	$ 6.46
Second Quarter *(July 2013 - September 2013)*	$ 11.39	$ 6.46
Third Quarter *(October 2013 - December 2013)*	$ 11.90	$ 3.74
Fourth Quarter *(January 2014 - March 2014)*	$ 6.81	$ 6.21
2014 Transition Year		
First Quarter (*April 2014 to June 2014*)	$ 7.02	$ 4.78
Second Quarter (*July 2014 to September 2014*)	$ 5.07	$ 2.82
Third Quarter (*October 2014 to December 2014*)	$ 6.17	$ 3.85

As of December 31, 2014, there were approximately 99 holders of record common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of our common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

Dividend Policy

We have never declared or paid any cash dividends on our common stock, and we do not intend to do so in the foreseeable future. Accordingly, our stockholders will not receive a return on their investment unless the value of our shares increases, which may or may not occur. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, operating results, capital requirements, any applicable contractual restrictions and such other factors as our deems relevant.

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2014, information with respect to our equity compensation plans, including our 1995 Equity Incentive Plan, the 1995 Directors' Stock Option Plan, the 2005 Equity Incentive Plan and the 2009 Equity Incentive Plan, and with respect to certain other options and warrants.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted average exercise price of outstanding options, warrants and rights (1) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (2) (c)
Equity compensation plans approved by security holders	3,640,771	$ 4.48	1,328,350

(1) Excludes shares issuable upon exercise of restricted stock units, which do not have an exercise price.

(2) Under the Company's 2009 Equity Incentive Plan, the number of shares available for issuance under the plan increases automatically increase on January 1st of each year in an amount equal to the lesser of (i) five percent of the total number of shares of Common Stock outstanding on December 31st of the preceding calendar year, or (ii) a lesser number of shares of Common Stock determined by the board of directors before the start of a calendar year for which an increase applies.

Recent Sales of Unregistered Securities

Except as described below, information concerning our sales of unregistered securities during the Transition 2014 Period ended December 31, 2014, has previously been reported in reports on Form 10-Q and reports on Form 8-K that we filed during that fiscal year.

During September 2014, the Company issued common stock upon exercise of a June 2013 Warrant. The warrant holder exercised the warrant for cash at an exercise price of $3.40 per share. The Company received cash of $170,000 and the warrant holder received 50,000 shares of common stock.

On November 7, 2014, the Company issued 5,331 shares of common stock to a third party entity pursuant to an agreement in consideration for business advisory services performed. The securities were issued in reliance on Section 4(2) of the Securities Act of 1933, as amended. The recipient of the securities represented that it was an accredited investor as defined in Regulation D promulgated under the Securities Act, and that the securities were being acquired for investment purposes, for the entity's own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the Securities Act.

During December 2014, the Company issued common stock upon exercise of several June 2013 Warrants. The warrant holders exercised the warrants for cash at an exercise price of $3.40 per share. The Company received cash of $323,306 and the warrant holders received 95,090 shares of common stock.

The June 2013 Warrants, and the shares issued upon exercise of the June 2013 warrants, were issued in a private placement transaction to a limited number of shareholders in reliance on Section 4(2) of the Securities Act of 1933, as amended, and/or Regulation D promulgated under the Securities Act. Each person or entity to whom securities were issued represented that the securities were being acquired for investment purposes, for the person's or entity's own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the Securities Act.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read together with the consolidated financial statements and accompanying notes of the Company appearing elsewhere in this Report. This discussion of our financial condition and results of operations contains certain statements that are not strictly historical and are "forward-looking" statements and involve a high degree of risk and uncertainty. Actual results may differ materially from those projected in the forward-looking statements due to other risks and uncertainties that exist in our operations, development efforts and business environment, including those set forth in this Item 7, and in the sections entitled "1A. Risk Factors" and "1. Business" in this Report and uncertainties described elsewhere in this Report. All forward-looking statements included in this Report are based on information available to the Company as of the date hereof.

General

Company Overview

We are an emerging pharmaceutical company focused on combining specialty pharmaceuticals and biotechnology to provide innovative medicines for patients and physicians. We are currently primarily focused on our specialty pharmaceutical products. We are currently developing several products in the allergy and respiratory markets, including a dry powder inhaler technology that we recently acquired from 3M Company. Our goal is to create low cost therapeutic alternatives to existing treatments. Consistent across all specialty pharmaceuticals product lines, we intend to pursue Section 505(b)(2) New Drug Application, or NDA, or Section 505(j) Abbreviated New Drug Application, or ANDA, regulatory approval filings with the U.S. Food and Drug Administration, or FDA, whenever possible in order to potentially reduce the time to market and to save on costs, compared to those associated with Section 505(b)(1) NDAs for new drug products. We also have a number of biotechnology product candidates and technologies, including therapeutic vaccine and cancer product candidates and technologies for patients with unmet medical needs in the global cancer market.

Recent Developments

NDA Filing Regarding Epinephrine PFS Product

On May 28, 2014, we submitted a Section 505(b)(2) NDA application to the FDA for approval for sale of our Epinephrine PFS product, for the emergency treatment of acute allergic reactions, including anaphylaxis. In connection with the filing of the application, we paid the required filing fee of $1,084,550.

Private Placement in August 2014

On August 19, 2014, we completed a private placement transaction with a small number of accredited investors pursuant to which we issued 1,418,439 shares of Series A Convertible Preferred Stock and warrants to purchase up to 1,418,439 shares of common stock. The shares of Series A Preferred and warrants were sold in units, with each unit consisting of one share and one warrant, at a purchase price of $3.525 per unit. The Series A Preferred is convertible into shares of common stock at an initial conversion rate of 1-for-1 (subject to stock splits, reverse stock splits and similar events) at any time at the discretion of the investors. The exercise price of the warrants is $3.40 per share, and the warrants are exercisable for five years. Gross proceeds to us were approximately $5,000,000 excluding transactions costs, fees and expenses of approximately $71,000. Pursuant to the transaction agreements, we filed a registration statement with the SEC, which has been declared effective, to register the resale from time to time of shares of common stock underlying the Series A Preferred and the warrants.

January 2015 Public Offering

In January 2015, we completed the closing of an underwritten public offering of 2,300,000 shares of common stock at a public offering price of $5.00 per share, which included 300,000 shares pursuant to the full exercise of the over-allotment option granted to the underwriters. Net proceeds were approximately $10.7 million, after deducting approximately $800,000 in underwriting discounts and commissions and estimated offering expenses payable by us. Oppenheimer & Co. Inc. acted as the sole book-running manager of the offering. CRT Capital Group LLC, Maxim Group LLC and Mizuho Securities USA Inc. acted as co-managers for the offering. We intend to use the net proceeds of the offering for general corporate purposes, which include, without limitation, hiring personnel and other expenditures relating to our anticipated commercial launch of our Epinephrine PFS syringe product, if the FDA grants marketing approval for the product, research and development and clinical trial expenditures, acquisitions of new technologies or products, the repayment, refinancing, redemption or repurchase of future indebtedness or capital stock and working capital. The securities were issued by us pursuant to a "shelf" registration statement on Form S-3 that we previously filed with the Securities and Exchange Commission, and a prospectus supplement and an accompanying prospectus relating to the offering filed in January 2015.

Change in Fiscal Year and Comparative Financial Information

On November 6, 2014, our board of directors approved a change in our fiscal year end from March 31 to December 31, resulting in a nine-month reporting period from April 1, 2014 to December 31, 2014. As a result, this Report is a transition report and includes financial information for the Transition 2014 Period. After this Report, for future fiscal years our annual reports on Form 10-K will cover the calendar year January 1 to December 31.

As a result of the fiscal year change, the unaudited comparative information for the nine months ended December 31, 2013, covering the period from April 1, 2013 through December 31, 2013, is included in the Note 17 to the financial statements appearing elsewhere herein. The discussion below in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" compares results for the nine-month Transition 2014 Period with the results for the twelve-month period from April 1, 2013 to March 31, 2014.

Going Concern and Management Plan

Our independent registered public accounting firm has included a "going concern" explanatory paragraph in its report on our financial statements for the nine-month transition period ended December 31, 2014 and fiscal year ended March 31, 2014 indicating that we have sustained substantial losses from continuing operations and have used, rather than provided, cash in its continuing operations, and incurred recurring losses from operations and have limited working capital to pursue our business alternatives, and that these factors raise substantial doubt about our ability to continue as a going concern. As of December 31, 2014, we had cash and cash equivalents of approximately $3.8 million, an accumulated deficit of approximately $55.4 million, and liabilities of approximately $3.4 million. As described above, we raised additional funds in January 2015 through an underwritten offering of our common stock. However, we will need significant funding to continue operations, satisfy our obligations and fund the future expenditures that will be required to conduct the clinical and regulatory work to develop our product candidates. Such additional funding may not be available, may not be available on reasonable terms, and could result in significant additional dilution to our stockholders. If we do not obtain required additional equity or debt funding, our cash resources will be depleted and we could be required to materially reduce or suspend operations, which would likely have a material adverse effect on our business, stock price and our relationships with third parties with whom we have business relationships, at least until additional funding is obtained.

The above conditions raise substantial doubt about our ability to continue as a going concern. The financial statements included elsewhere herein for the Transition Period ended December 31, 2014, were prepared under the assumption that we would continue our operations as a going concern, which contemplates the realization of assets and the satisfaction of liabilities during the normal course of business. In preparing these consolidated financial statements, consideration was given to our future business as described elsewhere herein, which may preclude us from realizing the value of certain assets. Our financial statements do not include any

adjustments that may result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business. Without additional funds from debt or equity financing, sales of assets, sales or out-licenses of intellectual property or technologies, or from a business combination or a similar transaction, we will soon exhaust our resources and will be unable to continue operations.

Our management intends to attempt to secure additional required funding through equity or debt financings, sales or out-licensing of intellectual property assets, seeking partnerships with other pharmaceutical companies or third parties to co-develop and fund research and development efforts, or similar transactions. However, there can be no assurance that we will be able to obtain any sources of funding. If we are unsuccessful in securing funding from any of these sources, we will defer, reduce or eliminate certain planned expenditures and delay development or commercialization of some or all of our products. If we do not have sufficient funds to continue operations, we could be required to seek bankruptcy protection or other alternatives that could result in our stockholders losing some or all of their investment in us.

Funding that we may receive during fiscal 2015 is expected to be used to satisfy existing obligations and liabilities and working capital needs, to begin building working capital reserves and to fund a number of projects, which may include, without limitation, some or all of the following:

- continue development and commercialization of our Epinephrine PFS product;
- continue development of our allergy and respiratory product candidates;
- continue development of the APC-5000 DPI product candidate;
- pursue the development of other product candidates that we may develop or acquire;
- fund clinical trials and seek regulatory approvals;
- expand research and development activities;
- access manufacturing, commercialization and sales capabilities;
- implement additional internal systems and infrastructure;
- maintain, defend and expand the scope of our intellectual property portfolio; and
- hire additional management, sales, research, development and clinical personnel.

Results of Operations

Our consolidated results of operations are presented for the nine-month Transition 2014 Period ended December 31, 2014 and for the 12 months fiscal year ended March 31, 2014. We changed our fiscal year to the calendar twelve months ending December 31, effective beginning after our previous fiscal year ended March 31, 2014. As a result, our current fiscal period was shortened from twelve months to a nine-month transition period ended on December 31, 2014. As a result, unless otherwise indicated herein, comparisons of results below compare results for the nine-month Transition 2014 Period from April 1, 2014 through December 31, 2014, to the 12-month period of the fiscal year ended March 31, 2014, and accordingly are not comparing results for comparable periods of time.

Nine Months Ended December 31, 2014 and Twelve Months Fiscal Year Ended March 31, 2014

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the Transition 2014 Period and fiscal year ended March 31, 2014 were approximately $4.6 million and $3.4 million, respectively. Selling, general and administrative expenses consist primarily of depreciation and amortization, legal fees, accounting and audit fees, consulting, professional fees, stock based compensation, and employee salaries. During the Transition 2014 Period, we relocated to a larger office facility, hired more personnel, and spent on consulting and professional fees in connection with the anticipated launch of the epinephrine PFS product in the second half of 2015, such that expenses have increased, notwithstanding the shorter transition period compared to fiscal 2014. Among the principal increase in expenses were consulting and professional fees by approximately $217,000, rent by approximately $59,000, and payroll for new hires during Transition 2014 Period by approximately $175,000. Moreover, our asset acquisitions in the later part of December 2013 were amortized for nine months in the Transition 2014 Period compared to the three months amortization in the fiscal year ended March 31, 2014, resulting to an increase in the expense by approximately $592,000. Selling, general and administrative expenses are expected to continue to increase especially if the FDA grants commercialization approval of our Epinephrine PFS product.

Research and Development Expenses. Our research and development costs are expensed as incurred. Non-refundable advance payments for goods and services to be used in future research and development activities are recorded as an asset and are expensed when the research and development activities are performed. Research and development expenses were approximately $3.5 million and $1.0 million for the Transition 2014 Period and fiscal year ended March 31, 2014, respectively, which were expensed. Even with the shorter transition period compared to fiscal 2014, research and development expenses have increased. The increase in research and development expenses was primarily due to the additional expense of $2.7 million in product development, consisting mostly of

expenditures related to clinical trials, and the approximately $1,100,000 FDA filing fee relating to our NDA application to the FDA for Epinephrine PFS.

Other Income (Expenses). Other expenses for the Transition 2014 Period and fiscal year ended March 31, 2014 were approximately $1,215,000 and $3,760,000, respectively. Other Income (Expenses) consist primarily of interest expense, change in fair value of warrants, change in fair value of derivative liabilities, and change in fair value of conversion feature liability. Interest expense consists primarily of expense in connection with various notes payable and the amortization of debt issuance costs. The decrease in interest expense by $8.4 million for the Transition 2014 Period, in comparison to the fiscal year ended March 31, 2014 was due to the change in the balance of outstanding notes payable during the periods. The net change in fair value of warrants, derivatives and conversion feature liabilities resulted in expense of approximately $988,000 for the Transition 2014 Period, compared to income of approximately $4,667,000 for fiscal year ended March 31, 2014, primarily due to the fluctuation in the valuation of warrants and the extinguishment of the convertible debt during the fiscal year ended March 31, 2014.

Liquidity and Capital Resources

We have incurred net losses of approximately $9.3 million and $8.2 million for the nine-month Transition Period ended December 31, 2014 and fiscal year ended March 31, 2014, respectively. Since our inception, June 6, 2006, and through December 31, 2014, we have an accumulated deficit of approximately $55.4 million. Since inception and through December 31, 2014, we have financed our operations principally through debt financing and through private issuances of common stock. Since inception, we have raised a total of approximately $60.2 million in debt and equity financing transactions, consisting of approximately $15.8 million in debt financing and approximately $44.4 million in equity financing transactions. We expect to finance future cash needs primarily through proceeds from equity or debt financings, loans, sales of assets, out-licensing transactions, and/or collaborative agreements with corporate partners. We have used the net proceeds from debt and equity financings for general corporate purposes, which have included funding for research and development, selling, general and administrative expenses, working capital, reducing indebtedness, pursuing and completing acquisitions or investments in other businesses, products or technologies, and for capital expenditures.

Net cash used in operating activities from continuing operations for the Transition 2014 Period and the fiscal year ended March 31, 2014 was approximately $6.4 million and $6.8 million, respectively. Considering the fewer number of months in the Transition 2014 Period compared to fiscal year 2014, there was an increase in the use of cash, primarily due to an increase in net loss and the increase in prepaid expenses and security deposits by approximately $290,000. We expect net cash used in operating activities to increase going forward as we continue with product development and other business activities, assuming that we are able to obtain sufficient funding.

Net cash used in investing activities was $0 in the Transition 2014 Period and $10 million in the fiscal year ended March 31, 2014. In December 2013 we completed the acquisition of the APC-5000 DPI assets from 3M Company for a purchase price of $10 million.

Net cash provided by financing activities from continuing operations was approximately $4.8 million in the Transition 2014 Period and approximately $22.2 million for fiscal year ended March 31, 2014. Results for the fiscal year ended March 31, 2014 were affected by proceeds from the issuance and repayment of promissory notes and the proceeds from the sale of common stock. The primary sources of cash provided by financing activities in Transition 2014 Period and fiscal year ended March 31, 2014 were from the issuance of Series A convertible preferred stock with net proceeds of approximately $4.9 million and issuance of common stocks with net proceeds of approximately $23.5 million, respectively.

On December 31, 2012, we issued a convertible promissory note in the principal amount of $600,000 and 35,294 shares of common stock to a private investor, and received gross proceeds of $600,000, excluding transaction costs and expenses. Interest on the outstanding principal balance of the note accrues at a rate of 10% per annum compounded monthly and is payable monthly commencing February 1, 2013. As amended, all unpaid and unconverted principal and interest on the note was due and payable on June 30, 2014. At any time on or before the maturity date, the investor had the right to convert part or all of the principal and interest owed under the note into common stock at a conversion price, as amended, equal to $6.00 per share (subject to adjustment for stock dividends, stock splits, reverse stock splits, reclassifications or other similar events affecting the number of outstanding shares of common stock). The note was repaid in June 2014.

For additional information concerning the Company's debt and equity financing transactions, see Notes 8, 9, 13 and 14 accompanying our financial statements included elsewhere herein.

As noted above under the heading "Going Concern and Management Plan," at December 31, 2014, Adamis had incurred substantial losses. The availability of any required additional funding cannot be assured. Even taking into account the net proceeds from the transactions described above, if we do not obtain additional equity or debt funding in the near future, our cash resources will rapidly be depleted and we will be required to materially reduce or suspend operations. Even if we are successful in obtaining

additional funding to permit us to continue operations at the levels that we desire, substantial time may pass before we obtain regulatory marketing approval for any products and begin to realize revenues from product sales, and we will require additional funds. No assurance can be given as to the timing or ultimate success of obtaining future funding.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our audited financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following accounting policies and estimates are most critical to aid you in understanding and evaluating our reported financial results. For further discussion of our accounting policies, see Note 3 in the accompanying notes to our financial statements appearing elsewhere in this Transition Report on Form 10-K.

Stock-Based Compensation. We account for stock-based compensation transactions in which we receive employee services in exchange for options to purchase common stock. Stock-based compensation cost for restricted stock units ("RSUs") is measured based on the closing fair market value of our common stock on the date of grant. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair-value as calculated by the Black-Scholes option-pricing model. We recognize stock-based compensation cost as expense ratably on a straight-line basis over the requisite service period.

Derivative Financial Instruments. Derivatives are recognized as either assets or liabilities in the consolidated balance sheets and are measured at fair value. The treatment of gains and losses resulting from changes in the fair values of derivative instruments is dependent on the use of the respective derivative instrument and whether they qualify for hedge accounting. As of December 31, 2014, no derivative instruments qualified for hedge accounting.

Accounting Standards Codification (ASC) 815 - Derivatives and Hedging provides guidance to determine what types of instruments, or embedded features in an instrument, are considered derivatives. This guidance can affect the accounting for convertible instruments that contain provisions to protect holders from a decline in the stock price, or down-round provisions. Down-round provisions reduce the exercise price of a convertible instrument if a company either issues equity share for a price that is lower than the exercise price of those instruments, or issues new convertible instruments that have a lower exercise price.

The Company recognizes the derivative assets and liabilities at their respective fair values at inception and on each reporting date. The Company utilized a binomial option pricing model (BOPM) to develop its assumptions for determining the fair value of the conversion and anti-dilution features of its notes. See Note 9 in the accompanying financial statements for further discussion of derivative instruments.

Intangible Assets. Intangible assets, such as patents and unpatented technology, consist of legal fees and other costs needed to acquire the intellectual property. Acquired patents are recorded at cost, based on the relative fair value of the assets as of the date acquired. Patents are amortized on a straight line basis over their estimated remaining useful life.

Off Balance Sheet Arrangements

At December 31, 2014, we did not have any off balance sheet arrangements.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-08 ("ASU 2014-08"), "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of an Entity." The amendments in ASU 2014-08 change the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The update is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014. Adoption is not expected to have a significant effect on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40.” The amendments in ASU 2014-09 supersede most current revenue recognition requirements. The core principal of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods with that reporting period. Early application is not permitted. The Company can apply the amendments using one of the following two methods: (1) retrospectively to each prior reporting period presented, or (2) retrospectively with the cumulative effect of initially applying the amendments recognized at the date of initial application. The Company is currently assessing the impact of adopting this guidance on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. ASU 2014-15 provides guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for our fiscal year ending December 31, 2016, with early adoption permitted. We do not expect the adoption of this standard to have an impact on our consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity", in November 2014. The ASU provides guidance relating to certain hybrid financial instruments when determining whether the characteristics of the embedded derivative feature are clearly and closely related to the host contract. In making that evaluation, the characteristics of the entire hybrid instrument should be considered, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. The amendments are effective for our fiscal year ending December 31, 2016; however, early adoption is permitted. Adoption is not expected to have a significant effect on the Company's consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and financial information required by Item 8 are set forth below commencing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Transition Report on Form 10-K, an evaluation was carried out by our management, with the participation of the Principal Executive Officer and Accounting Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act) as of December 31, 2014. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management, including the Principal Executive Officer and Accounting Officer, to allow timely decisions regarding required disclosures.

Based on their evaluation, our Principal Executive Officer and Accounting Officer concluded that disclosure controls and procedures were not effective as of December 31, 2014, for reasons described below.

Internal Control over Financial Reporting

Management’s report on our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) in the Exchange Act), is included in this Transition Report on Form 10-K, under the heading “Management’s Annual Report on Internal Control Over Financial Reporting” and is incorporated herein by reference. This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, unless we specifically state that the report is to be considered “filed” under the Exchange Act or incorporate it by reference into a filing under the Securities Act of 1933, as amended, or under the Exchange Act.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or

under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, particularly those related to subjective measurements and complex transactions, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework and Internal Control over Financial Reporting-Guidance for Smaller Public Companies. As a result of this assessment, management identified a material weakness in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified a material weakness in our internal control over financial reporting as of December 31, 2014, based on the absence of finance and accounting personnel other than the Chief Financial Officer in most of the reporting period. This resulted in not ensuring appropriate segregation of duties between incompatible functions, and made it more difficult to ensure review of financial reporting issues sufficiently in advance of the dates on which filings are required to be made with the Securities and Exchange Commission and to ensure that financial information (both routine and non-routine) is adequately analyzed and reviewed on a timely basis to detect misstatements. These above deficiencies represent a material weakness in our internal control over financial reporting given that they result in a reasonable possibility that a material misstatement to the annual or interim financial statements would not have been prevented or detected.

Based on the material weakness described above, management has concluded that as of December 31, 2014 our internal control over financial reporting was not effective.

We intend to address the weaknesses identified above by increasing the oversight and review procedures of the board of directors with regard to financial reporting, financial processes and procedures and internal control procedures; where possible preparing and reviewing SEC filings farther in advance of required filing dates; and when funding is available hiring additional finance and accounting personnel. To help address the above weakness, in December 2014 we hired an accounting manager, which should allow for appropriate segregation of duties between incompatible functions. We intend to implement additional reviews and internal control procedures over financial reporting.

This Transition Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules that permit us to provide only management's report in this Transition Report on Form 10-K.

Changes in Internal Controls

Other than the retention of an accounting manager in December 2014 as described above, there has been no substantial change in our internal control over financial reporting that occurred, during the nine-month Transition 2014 Period ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not Applicable.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Part III is incorporated by reference to the registrant's proxy statement, to be filed within 120 days of the registrant's fiscal year end, or will be included in an amendment to this Transition Report on Form 10-K.

ITEM 11: EXECUTIVE COMPENSATION

The information required by Item 11 of Part III is incorporated by reference to the registrant's proxy statement, to be filed within 120 days of the registrant's fiscal year end, or will be included in an amendment to this Transition Report on Form 10-K.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Part III is incorporated by reference to the registrant's proxy statement, to be filed within 120 days of the registrant's fiscal year end, or will be included in an amendment to this Transition Report on Form 10-K.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Part III is incorporated by reference to the registrant's proxy statement, to be filed within 120 days of the registrant's fiscal year end, or will be included in an amendment to this Transition Report on Form 10-K.

ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 of Part III is incorporated by reference to the registrant's proxy statement, to be filed within 120 days of the registrant's fiscal year end, or will be included in an amendment to this Transition Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits

The following exhibits are attached hereto or incorporated herein by reference.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/ File No.	Date
1.1	Underwriting Agreement dated January 9, 2015		8-K	01/09/15
2.1	Agreement and Plan of Share Exchange dated as of October 7, 2004, by and between the Company and Biosyn, Inc.		8-K	10/26/04
3.1	Restated Certificate of Incorporation of the Registrant		S-8	03/17/14
3.2	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock dated August 19, 2014		8-K	08/20//14
4.1	Amended and Restated Bylaws of the Company		S-4/A 333-155322	01/12/09
4.2	Specimen stock certificate for common stock		8-K	04/03/09
4.3	Form of Common Stock Purchase Warrant dated August 19, 2014		8-K	08/20/14
*10.1	2005 Equity Incentive Plan		10-K	03/31/06
*10.2	Form of Option Agreement under the 2005 Equity Incentive Plan		10-K	03/31/06
*10.3	2009 Equity Incentive Plan		10-Q	11/14/14
*10.4	Form of Stock Option Agreement for option awards		8-K	09/16/11
*10.5	Form of Option Agreement for Non-Employee Directors*		8-K	01/13/11
*10.6	Form of Indemnity Agreement with directors and executive officers		8-K	01/13/11
10.7	Agreement dated as of October 8, 1996 by and among Biosyn, Inc., Edwin B. Michaels and E.B. Michaels Research Associates, Inc. (Confidential treatment has been requested with respect to portions of this agreement.)		10-K	03/31/05
10.8	Patent License Agreement by and among Biosyn, Inc., and certain agencies of the United States Public Health Service		10-K	03/31/05
10.9	License Agreement dated as of May 22, 2001, by and between Crompton Corporation and Biosyn, Inc. (Confidential treatment has been requested for portions of this agreement.)		10-K	03/31/05
10.10	License Agreement dated January 30, 2006, by and between CONRAD, Eastern Virginia Medical School, and Biosyn, Inc. (Confidential treatment has been requested for portions of this agreement.)		10-K	04/02/07
10.11	Amendment to License Agreement dated as of March 15, 2006, by and between Crompton Corporation and Biosyn, Inc.		S-4/A 333-155322	01/12/09
10.12	Funding Agreement dated October 12, 1992, by and between Ben Franklin Technology Center of Southeastern Pennsylvania and Biosyn, Inc.		S-4/A 333-155322	01/12/09
10.13	License Agreement dated July 28, 2006, by and between Nevagen, LLC and Adamis Pharmaceuticals Corporation		S-4/A 333-155322	01/12/09
10.14	Amendment to License Agreement dated December 29, 2008, by and between Nevagen, LLC and Adamis Pharmaceuticals Corporation		S-4/A 333-155322	01/12/09
10.15	Amendment to License Agreement dated October 18, 2007, by and between CONRAD, Eastern Virginia Medical School, and Biosyn, Inc.		S-4/A 333-155322	01/12/09
10.16	Clinical Trial Agreement between Biosyn, Inc. and the National Institute of Child Health and Human Development		S-4/A 333-155322	01/12/09
10.17	Common Stock Purchase Agreement dated as of November 10, 2010, by and between Adamis Pharmaceuticals Corporation and the Purchaser named therein (Confidential treatment has been granted for portions of this exhibit.)		8-K	11/12/10
10.18	Registration Rights Agreement dated as of November 10, 2010, by and between Adamis Pharmaceuticals Corporation and the Purchaser named therein		8-K	11/12/10
10.19	Employment Agreement between the Company and Dennis J. Carlo*		8-K	11/12/10

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/ File No.	Date
10.20	Employment Agreement between the Company and David J. Marguglio*		8-K	11/12/10
10.21	Employment Agreement between the Company and Robert O. Hopkins*		8-K	11/12/10
10.22	Product Development and Contract Manufacturing Agreement dated November 1, 2010, between Adamis and Beximco		10-Q	02/14/11
10.23	Employment Agreement between the Company and Karen K. Daniels*		8-K	07/06/12
10.24	Employment Agreement between the Company and Thomas H. Moll,Ph.D.		8-K	07/06/12
10.25	License Agreement between Adamis, the Regents of the University of California and Dana-Farber Cancer Institute, Inc.		10-K	07/07/11
10.26	License Agreement dated January 26, 2007, with Wisconsin Alumni Research Foundation		10-K	07/07/11
10.27	License Agreement dated January 26, 2007, with Wisconsin Alumni Research Foundation		10-K	07/07/11
10.28	License Agreement dated January 2, 2008, with Wisconsin Alumni Research Foundation		10-K	07/07/11
10.29	First Amendment to Common Stock Purchase Agreement dated as of June 30, 2011, by and between the Company and Eses Holdings (FZE)		10-K	07/07/11
10.30	Second Amendment to Common Stock Purchase Agreement dated as of November 10, 2011, by and between the Company and Eses Holdings (FZE)		8-K	11/21/11
10.31	Third Amendment to Common Stock Purchase Agreement dated as of January 31, 2012, by and between the Company and Eses Holdings (FZE)		10-Q	02/14/12
10.32	Securities Purchase Agreement dated as of June 11, 2012		8-K	06/15/12
10.33	10% Senior Convertible Note dated as of June 11, 2012		8-K	06/15/12
10.34	Form of Subsidiary Guarantee dated as of June 11, 2012		8-K	06/15/12
10.35	Convertible Promissory Note dated as of June 11, 2012		8-K	06/15/12
10.36	Zero Coupon Secured Promissory Note dated October 25, 2012		10Q	02/19/13
10.37	Convertible Promissory Note dated December 31, 2012		10-Q	02/19/13
10.38	Amendment to Convertible Promissory Note dated March 26, 2014		8-K	04/01/14
10.39	Securities Purchase Agreement dated as of April 5, 2013		8-K	04/08/13
10.40	12% Convertible Debenture dated April 5, 2013		8-K	04/08/13
10.41	Subscription Agreement dated as of June 26, 2013		8-K	07/01/13
10.42	Form of Secured Convertible Notes dated June 26, 2013		8-K	07/01/13
10.43	Form of Warrants dated June 26, 2013		10-Q	11/14/14
10.44	Security Agreement dated June 26, 2013		8-K	07/01/13
10.45	Intercreditor Agreement dated June 26, 2013		8-K	07/01/13
10.46	Consent and Waiver		8-K	10/31/13
10.47	Exclusive License and Asset Purchase Agreement dated as of August 1, 2013, by and among the Registrant, 3M Corp. and 3M Innovative Properties Company		8-K	08/06/13
10.48	Sublease dated as of March 12, 2011 between the Registrant and Whitney, Bradley & Brown, Inc.		S-1 333-192372	11/15/13
10.49	Sublease Agreement between McDermott Will & Emery LLP and the Registrant dated February 1, 2014		10-Q	02/14/14
10.50	Lease Agreement dated April 1, 2014, between the Registrant and Pacific North Court Holdings, L.P.	X		
10.52	Purchase Agreement dated August 19, 2014 by and between the Company and Sio Partners QP LP and Sio Partners Offshores, Ltd.		8-K	08/20/14
10.53	Registration Rights Agreement dated August 18, 2014, by and between the Company and Sio Partners LP, Sio Partners QP LP and Sio Partners Offshores, Ltd.		8-K	08/20/14
10.54	Form of Warrants dated June 26, 2013		10-Q	11/14/14
21.1	Subsidiaries of the Registrant		10-K	07/03/13

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/ File No.	Date
23.1	Consent of Mayer Hoffman McCann P.C., Independent Registered Public Accounting Firm	X		
24.1	Power of Attorney (See signature page)	X		
31.1	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X		
31.2	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X		
32.1	Certification by CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X		
32.2	Certification by CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X		
101.INS	XBRL Instance Document			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

* Represents a compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California.

ADAMIS PHARMACEUTICALS CORPORATION

By: /s/ DENNIS J. CARLO
Dennis J. Carlo
Chief Executive Officer

Dated: March 26, 2015

Power of Attorney

Each person whose signature appears below constitutes and appoints each of Dennis J. Carlo and Robert O. Hopkins, true and lawful attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign amendments to this Transition Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated:

Name	Title	Date
Principal Executive Officer:		
/s/ DENNIS J. CARLO Dennis J. Carlo	Chief Executive Officer and Director	March 26, 2015
Principal Financial Officer and Principal Accounting Officer:		
/s/ ROBERT O. HOPKINS Robert O. Hopkins	Vice President, Finance, Chief Financial Officer and Secretary	March 26, 2015
Directors:		
/s/ DAVID J. MARGUGLIO David J. Marguglio	Director	March 26, 2015
/s/RICHARD C. WILLIAMS Richard C. Williams	Chairman	March 26, 2015
/s/ ROBERT B. ROTHERMEL Robert B. Rothermel	Director	March 26, 2015
/s/ WILLIAM C. DENBY, III William C. Denby, III	Director	March 26, 2015

ADAMIS PHARMACEUTICALS CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

DECEMBER 31, 2014 AND MARCH 31, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Adamis Pharmaceuticals Corporation and Subsidiaries
San Diego, California

We have audited the accompanying consolidated balance sheets of **Adamis Pharmaceuticals Corporation and Subsidiaries** (the "Company") as of December 31, 2014 and March 31, 2014, and the related consolidated statements of operations, stockholders' equity, and cash flows for the nine-month period ended December 31, 2014 and the year ended March 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Adamis Pharmaceuticals Corporation and Subsidiaries** as of December 31, 2014 and March 31, 2014, and the consolidated results of their operations and cash flows for the nine-month period ended December 31, 2014 and the year ended March 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred recurring losses from operations, and is dependent on additional financing to fund operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ MAYER HOFFMAN MCCANN P.C.

San Diego, California
March 26, 2015

ADAMIS PHARMACEUTICALS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2014	March 31, 2014
CURRENT ASSETS		
Cash	$ 3,774,665	$ 5,403,235
Prepaid Expenses and Other Current Assets	179,545	14,504
	3,954,210	5,417,739
LONG TERM ASSETS		
Security Deposits	127,500	—
Intangible Assets, net	8,737,830	9,611,632
Equipment, net	77,680	92,245
Total Assets	$ 12,897,220	$ 15,121,616
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 787,012	$ 671,018
Accrued Other Expenses	129,055	159,955
Accrued Bonuses	411,500	282,821
Warrants, at fair value	1,809,949	1,019,539
Warrant Derivative Liabilities, at fair value	256,530	378,502
Convertible Notes Payable, net	—	383,339
Other Notes Payable	—	38,653
Total Liabilities	3,394,046	2,933,827
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Series A Convertible Preferred Stock – Par Value $.0001; 10,000,000 Shares Authorized; 1,418,439 and none, Issued and Outstanding, Respectively	142	—
Common Stock – Par Value $.0001; 100,000,000 Shares Authorized; 10,959,480 and 10,809,059 Issued, 10,651,940 and 10,501,519 Outstanding, Respectively	1,096	1,081
Additional Paid-in Capital	64,956,524	58,324,941
Accumulated Deficit	(55,449,359)	(46,133,004)
Treasury Stock - 307,540 Shares, at cost	(5,229)	(5,229)
Total Stockholders' Equity	9,503,174	12,187,789
	$ 12,897,220	$ 15,121,616

The accompanying notes are an integral part of these Consolidated Financial Statements

ADAMIS PHARMACEUTICALS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine Months Ended December 31, 2014	12 Months Ended March 31, 2014
REVENUE	$ —	$ —
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,556,291	3,389,055
RESEARCH AND DEVELOPMENT	3,545,475	1,006,431
Loss from Operations	(8,101,766)	(4,395,486)
OTHER INCOME (EXPENSE)		
Interest Expense	(226,286)	(8,626,162)
Gain on Extinguishment of Debt	—	198,864
Change in Fair Value of Warrant Liability	(1,053,256)	762,053
Change in Fair Value of Warrant Derivative Liabilities	64,953	—
Change in Fair Value of Derivative Liabilities	—	919,844
Change in Fair Value of Conversion Feature Liability	—	2,985,007
Total Other Income (Expense)	(1,214,589)	(3,760,394)
Net (Loss)	$ (9,316,355)	$ (8,155,880)
Basic and Diluted (Loss) Per Share:		
Basic (Loss) Per Share	$ (0.89)	$ (1.11)
Basic Weighted Average Shares Outstanding	10,526,618	7,346,155
Diluted (Loss) Per Share	$ (0.89)	$ (1.22)
Diluted Weighted Average Shares Outstanding	10,526,618	7,493,031

The accompanying notes are an integral part of these Consolidated Financial Statements

ADAMIS PHARMACEUTICALS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Series A Convertible Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	
	Shares	Amount	Shares	Amount	Paid-In Capital	Shares	Amount	Deficit	Total
Balance March 31, 2013	—	$ —	6,450,364	$ 645	$33,653,770	(307,540)	$ (5,229)	$(37,977,124)	$ (4,327,938)
Common Stock Issued for Exercised Options	—	—	4,003	—	—	—	—	—	—
Common Stock Issued for Exercised Warrants	—	—	10,138	1	(1)	—	—	—	—
Common Stock Issued for Note Conversions	—	—	35,022	4	297,683	—	—	—	297,687
Common Stock Issued from Public Offering, Net of Transaction Costs of $1,923,773	—	—	4,278,000	428	23,529,899	—	—	—	23,530,327
Common Stock Issued for Employee Award	—	—	31,532	3	359,146	—	—	—	359,149
Warrants Issued	—	—	—	—	219,500	—	—	—	219,500
Share Based Compensation	—	—	—	—	236,944	—	—	—	236,944
Beneficial Conversion Feature of Convertible Debt	—	—	—	—	28,000	—	—	—	28,000
Net (Loss)			—	—	—	—	—	(8,155,880)	(8,155,880)
Balance March 31, 2014	—	$ —	10,809,059	$ 1,081	$58,324,941	(307,540)	$ (5,229)	$(46,133,004)	$12,187,789
Common Stock Issued for Exercised Warrants	—	—	145,090	14	493,292	—	—	—	493,306
Common Stock Issued for Service	—	—	5,331	1	25,002	—	—	—	25,003
Release of Warrant Liability Upon Exercise	—	—	—	—	319,865	—	—	—	319,865
Preferred Stock Issued, net of issuance cost of $71,003	1,418,439	142	—	—	4,928,855	—	—	—	4,928,997
Share Based Compensation	—	—	—	—	625,518	—	—	—	625,518
Share Based Compensation - Accrued Bonus	—	—	—	—	239,051	—	—	—	239,051
Net (Loss)	—	—	—	—	—	—	—	(9,316,355)	(9,316,355)
Balance December 31, 2014	1,418,439	$ 142	10,959,480	$ 1,096	$64,956,524	(307,540)	$ (5,229)	$(55,449,359)	$ 9,503,174

The accompanying notes are an integral part of these Consolidated Financial Statements

ADAMIS PHARMACEUTICALS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31, 2014	12 Months Ended March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss)	$ (9,316,355)	$ (8,155,880)
Adjustments to Reconcile Net (Loss) to Net		
Cash (Used in) Operating Activities:		
Stock Based Compensation	625,518	596,093
Stock Issued in Exchange of Services	25,003	—
Change in Gain on Extinguishment of Debt	—	(198,864)
Change in Fair Value of Warrant Liability	1,053,256	(762,053)
Change in Fair Value of Warrant Derivative Liabilities	(64,953)	—
Change in Fair Value of Derivative Liabilities	—	(919,844)
Change in Fair Value of Conversion Feature Liability	—	(2,985,007)
Amortization of Discount on Notes Payable	216,661	6,629,364
Amortization of Debt Issuance Costs	—	792,431
Amortization of Stock Issued for Services	—	47,333
Depreciation and Amortization Expense	888,367	296,123
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Prepaid Expenses and Other Current Assets	(165,041)	2,510
Security Deposits	(127,500)	—
Increase (Decrease) in:		
Accounts Payable	115,994	(1,760,901)
Accrued Other Expenses and Bonuses	336,830	(361,425)
Net Cash (Used in) Operating Activities	(6,412,220)	(6,780,120)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	—	(97,100)
Purchase of Intangible Assets	—	(9,902,900)
Net Cash (Used in) Investing Activities	—	(10,000,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	—	5,875,000
Proceeds from Issuance of Preferred Stock and Warrants, net of issuance cost	4,928,997	—
Proceeds from Warrant conversion	493,306	—
Payment of Notes Payable	(38,653)	(6,838,501)
Payment of Convertible Notes Payable	(600,000)	—
Cash Paid for Debt Issuance Costs	—	(286,349)
Payment of Notes Payable to Related Parties	—	(97,122)
Proceeds from Issuance of Common Stock	—	25,454,100
Cash Paid for Common Stock Issuance Costs	—	(1,923,773)
Net Cash Provided by Financing Activities	4,783,650	22,183,355
Increase (Decrease) in Cash	(1,628,570)	5,403,235
Cash:		
Beginning	5,403,235	—
Ending	$ 3,774,665	$ 5,403,235

The accompanying notes are an integral part of these Consolidated Financial Statements

ADAMIS PHARMACEUTICALS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31, 2014	12 Months Ended March 31, 2014
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Income Taxes	$ 2,400	$ 2,400
Cash Paid for Interest	$ 89,401	$ 1,179,940
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES		
Common Stock Issued in Exchange for Services	$ 25,003	$ —
Change in Fair Value of Warrant Liability	$ 1,053,256	$ (762,053)
Change in Fair Value of Warrant Derivative Liabilities	$ (64,953)	$ —
Release of Warrant Liability Upon Exercise	$ 319,865	$ —
Stock Options Issued for Accrued Bonuses	$ 239,051	$ —
Note Payable Discounts from Derivative and Convertible Feature Liabilities, and Warrants	$ —	$ 5,962,763
Release of Debt Discount Upon Repayment of Debt	$ 216,661	$ —
Accrued Interest Applied to Principal Balance	$ —	$ 51,944
Notes Payable Converted to Common Stock	$ —	$ 297,687
Stock Based Compensation Expense	$ 625,518	$ 596,093
Warrants Issued for Debt Costs	$ —	$ 219,500
Beneficial Conversion Feature of Convertible Debt	$ —	$ 28,000
Settlement of Derivative Liability through Modification of Note	$ —	$ 110,819

The accompanying notes are an integral part of these Consolidated Financial Statements

NOTE 1: NATURE OF BUSINESS

The company formerly named Adamis Pharmaceuticals Corporation, or Old Adamis, was founded in June 2006 as a Delaware corporation. Effective April 1, 2009, Old Adamis completed a business combination transaction with Cellegy Pharmaceuticals, Inc., or Cellegy. Before the merger, Cellegy was a public company and Old Adamis was a private company. In connection with the consummation of the merger and pursuant to the terms of the definitive merger agreement relating to the transaction, Cellegy was the surviving corporation in the merger and changed its name from Cellegy Pharmaceuticals, Inc. to Adamis Pharmaceuticals Corporation (the "Company", "Adamis Pharmaceuticals" or "Adamis"), and Old Adamis survived as a wholly-owned subsidiary and changed its corporate name to Adamis Corporation. The Company has two wholly-owned subsidiaries: Adamis Corporation; and Biosyn, Inc., which has rights to the C31G product. Adamis Corporation has two wholly-owned subsidiaries: Adamis Viral Therapies, Inc., or Adamis Viral, which was formed to focus on the Company's cancer and vaccine technologies; and Adamis Laboratories, Inc., or Adamis Labs, which was formed to focus on the Company's allergy and respiratory products.

Effective December 12, 2013, the Company effected a 1-for-17 reverse stock split of its issued and outstanding stock. On December 13, 2013, the Company's Common Stock began trading, on a post-reverse split adjusted basis, on the NASDAQ Capital Market under the symbol "ADMP." In addition, the number of authorized shares was reduced from 200,000,000 to 100,000,000.

NOTE 2: GOING CONCERN

The Company's consolidated financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, as shown in the accompanying consolidated financial statements, the Company has sustained substantial losses from continuing operations. In addition, the Company has used, rather than provided, cash in its continuing operations. We raised additional funds in January 2015 through an underwritten offering of our common stock. However, we will need significant funding to continue operations, satisfy our obligations and fund the future expenditures that will be required to conduct the clinical and regulatory work to develop our product candidates. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. Management intends to attempt to secure additional required funding through equity or debt financings, sales or out-licensing of intellectual property assets, seeking partnerships with other pharmaceutical companies or third parties to co-develop and fund research and development efforts, or similar transactions.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include Adamis Pharmaceuticals and its wholly-owned operating subsidiaries. All significant intra-entity balances and transactions have been eliminated in consolidation.

Change in Fiscal Year

In November 2014, the Board of Directors of the Company determined that, in accordance with its Bylaws and upon the recommendation of its Audit Committee, the Company's fiscal year shall begin on January 1 and end on December 31 of each year, starting on January 1, 2015. This resulted in a change in fiscal year end from March 31 to December 31. This required transition period of April 1, 2014 to December 31, 2014 is included in these financial statements. For comparative purposes, the unaudited consolidated results of operations for the nine months ended December 31, 2013 are included in Note 17.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates, and the differences could be material.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with original maturities at the date of purchase of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash, accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's notes payable approximate fair value based upon current rates available to the Company for loans with similar maturities. The convertible notes payable have fixed interest rates and conversion features which are based upon the conversion price specified in the agreements. Additionally, one of the convertible notes payable contains price anti-dilution features which are adjusted to fair value on a recurring basis. Furthermore, certain warrant obligation agreements contain anti-dilution features which are adjusted to fair value on a recurring basis.

Fixed Assets

Fixed assets are recorded at historical cost as of the date acquired, and depreciated on a straight line basis with useful lives ranging from 3-7 years.

Intangible Assets

Intangible assets, such as patents and unpatented technology, consist of legal fees and other costs needed to acquire the intellectual property. Acquired patents are recorded at cost, based on the related fair value of the assets as of the date acquired. Patents are amortized on a straight line basis over their estimated remaining useful life.

Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Derivative Instruments and Hedging Activities

Derivatives are recognized as either assets or liabilities in the consolidated balance sheets and are measured at fair value. The treatment of gains and losses resulting from changes in the fair values of derivative instruments is dependent on the use of the respective derivative instrument and whether they qualify for hedge accounting. As of December 31, 2014 and March 31, 2014, no derivative instruments qualified for hedge accounting. See Note 9 for further discussion of derivative instruments.

Revenue Recognition

In accordance with our revenue recognition policy, revenue is recognized when the parties agree to the terms of the arrangement, title and risk of loss are transferred to the customer, the sales price to the customer is fixed and determinable, and collectability of the sales price is reasonably assured. Reported revenue is net of estimated customer returns and other wholesaler fees. Our policy regarding sales to customers is that we do not recognize revenue from, or the cost of such sales, where we believe the customer has more than a demonstrably reasonable level of inventory. We make this assessment based on historical demand, historical customer ordering patterns for purchases, business considerations for customer purchases and estimated inventory levels. If our actual experience proves to be different than our assumptions, we would then adjust such allowances accordingly.

Stock-Based Compensation

The Company accounts for stock-based compensation transactions in which the Company receives employee services in exchange for options to purchase common stock. Stock-based compensation cost for restricted stock units ("RSUs") is measured based on the closing fair market value of the Company's common stock on the date of grant. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair-value as calculated by the Black-Scholes option-pricing model. The Company recognizes stock-based compensation cost as expense ratably on a straight-line basis over the requisite service period.

Research and Development

Research and development costs are expensed as incurred. Non-refundable advance payments for goods and services to be used in future research and development activities are recorded as an asset and are expensed when the research and development activities are performed.

Legal Expense

Legal fees are expensed as incurred and are included in selling, general and administrative expenses on the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under the deferred income tax method. Under this method, deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws.

Deferred income tax provisions and benefits are based on changes to the assets and liabilities from year to year. In providing for deferred taxes, the Company considers tax regulations of the jurisdictions in which they operate, estimates of future taxable income, and available tax planning strategies. If tax regulations, operating results or the ability to implement tax planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required. Valuation allowances are recorded related to deferred tax assets based on the "more likely than not" criteria.

The Company accounts for uncertain tax positions in accordance with accounting guidance which requires the Company to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would, more likely than not, sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied the guidance to all tax positions for which the statute of limitations remained open. Upon implementation, the Company did not recognize any additional liabilities for unrecognized tax benefits. Accordingly, the adoption of the guidance had no impact on the Company's financial statements. There have been no material changes in unrecognized tax benefits since April 1, 2010.

The Company is subject to income taxes in the United States Federal jurisdiction, California and Florida. The Company is no longer subject to the United States Federal, California or Florida income examinations by tax authorities for the years before the year ended March 31, 2010. The Company recognizes interest and penalty accrued related to unrecognized tax benefits in its income tax expense, if any. No interest or penalties have been accrued for all presented periods.

In fiscal 2014, the Company adopted accounting guidance regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward exists which became effective for fiscal years, and interim periods, within those years, beginning after December 15, 2013. Pursuant to this guidance, the Company presents an unrecognized tax benefit, or portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for net operating loss carryforward. Adoption did not have an impact on the consolidated financial position, results of operations or cash flows of the Company.

Stock Split

Effective December 12, 2013, the Company effected a 1-for-17 reverse stock split of its issued and outstanding stock. The effects of the reverse split have been applied retrospectively, and all share and per share amounts are shown post reverse split, unless otherwise noted.

Basic and Diluted Net Loss Per Share

The Company computes basic loss per share by dividing the loss attributable to holders of common stock for the period by the weighted average number of shares of common stock outstanding during the period. The diluted loss per share calculation is based on the treasury stock method and gives effect to dilutive options, warrants, convertible notes, convertible preferred stock and other potential dilutive common stock. The effect of common stock equivalents was anti-dilutive and was excluded from the calculation of weighted average shares outstanding. Potential dilutive securities, which are not included in dilutive weighted average shares for the transition period ended December 31, 2014 and fiscal year ended March 31, 2014 consist of outstanding warrants (2,401,049 and 362,738, respectively), outstanding options (1,239,722 and 404,622, respectively), outstanding restricted stock units (11,184 and 11,184, respectively), potential common stock to be issued upon conversion of convertible debt (0 and 100,000, respectively), and convertible preferred stock (1,418,439 and 0, respectively).

The calculation of diluted loss per share requires that, to the extent the average market price of the underlying shares for the reporting period exceeds the exercise price of the warrants and the presumed exercise of such securities are dilutive to loss per share for the period, an adjustment to net loss used in the calculation is required to remove the change in fair value of the warrants from the numerator for the period. Likewise, an adjustment to the denominator is required to reflect the related dilutive shares, if any, under the

treasury stock method. During the Transition 2014 Period, the Company incurred losses on the valuation of the Warrant Liability and Warrant Derivative Liability which has an anti-dilutive impact on loss per share.

	For the Nine Months Ended December 31, 2014	For the Year Ended March 31 2014
Loss per Share - Basic		
Numerator for basic loss per share	$ (9,316,355)	$ (8,155,880)
Denominator for basic loss per share	10,526,618	7,346,155
Loss per common share - basic	$ (0.89)	$ (1.11)
Loss per Share - Diluted		
Numerator for basic loss per share	$ (9,316,355)	$ (8,155,880)
Adjust: Fair Value of dilutive warrants outstanding	—	(1,000,239)
Numerator for dilutive loss per share	$ (9,316,355)	$ (9,156,119)
Denominator for diluted loss per share	10,526,618	7,346,155
Plus: Incremental shares underlying "in the money" warrants outstanding	—	146,876
Denominator for dilutive loss per share	10,526,618	7,493,031
Loss per common share - diluted	$ (0.89)	$ (1.22)

Recently Issued Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-08 ("ASU 2014-08"), "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of an Entity." The amendments in ASU 2014-08 change the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The update is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014. Adoption is not expected to have a significant impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)." The amendments in ASU 2014-09 supersede most current revenue recognition requirements. The core principal of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods with that reporting period. Early application is not permitted. The Company can apply the amendments using one of the following two methods: (1) retrospectively to each prior reporting period presented, or (2) retrospectively with the cumulative effect of initially applying the amendments recognized at the date of initial application. The Company is currently assessing the impact of adopting this guidance on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 provides guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for our fiscal year ending December 31, 2016, with early adoption permitted. We do not expect the adoption of this standard to have an impact on our consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity", in November 2014. The ASU provides guidance relating to certain hybrid financial instruments when determining whether the characteristics of the embedded derivative feature are clearly and closely related to the host contract. In making that evaluation, the characteristics of the entire hybrid instrument should be considered, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. The amendments are effective for our fiscal year ending December 31, 2016; however, early adoption is permitted. Adoption is not expected to have a significant effect on the Company's consolidated financial statements.

NOTE 4: CONCENTRATIONS

Financial instruments that potentially subject the Company to credit risk consist principally of cash and accounts payable.

Cash

The Company at times may have cash in excess of the Federal Deposit Insurance Corporation ("FDIC") limit. The Company maintains its cash with larger financial institutions. The Company has not experienced losses on these accounts and management believes that the Company is not exposed to significant risks on such accounts.

Purchases and Accounts Payable

The Company had balances greater than 10% of trade accounts payable at December 31, 2014 with vendors. Vendor A had a balance that accounted for 15% of total accounts payables at December 31, 2014 and approximately $410,000 in total purchases during the Transition 2014 Period. The Company has no exposure to the elimination of Vendor A, there are a number of companies which could provide the same services, and management believes, on comparable terms. Comparatively, the Company had balances greater than 10% of trade accounts payable at March 31, 2014 with two vendors. Vendor A had a balance that accounted for 25% of total accounts payables and Vendor B had a balance of 16% at March 31, 2014.

NOTE 5: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at December 31, 2014 and March 31, 2014:

	December 31, 2014	March 31, 2014
Prepaid Insurance	$ 34,132	$ 2,985
Prepaid Rent	—	10,827
Other Prepaid	102,719	—
Other Current Assets	42,694	692
	$ 179,545	$ 14,504

NOTE 6: FIXED ASSETS

Fixed assets at December 31, 2014 and March 31, 2014 are summarized in the table below:

Description	Useful Life (Years)	December 31, 2014	March 31, 2014
Equipment	5	$ 97,100	$ 97,100
Less: Accumulated Depreciation		(19,420)	(4,855)
Fixed Assets, net		$ 77,680	$ 92,245

For the transition period ended December 31, 2014 and fiscal year ended March 31, 2014, depreciation expense was $14,565 and $4,855, respectively. There were no additions during the Transition 2014 Period.

NOTE 7: INTANGIBLE ASSETS

Intangible assets at December 31, 2014 are summarized in the table below:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Amortizable assets:			
Patents & intellectual property	$ 9,708,700	$ (970,870)	$ 8,737,830
Transition services agreement	194,200	(194,200)	—
	$ 9,902,900	$ (1,165,070)	$ 8,737,830

There were no additions during the Transition 2014 Period. Amortization expense for transition year 2014 and fiscal 2014 were $873,802 and $291,268, respectively.

Estimated amortization expense at December 31, 2014 for each of the five succeeding years is as follows:

Year ending December 31,		
2015	$	970,872
2016		970,872
2017		970,872
2018		970,872
2019		970,872
Thereafter		3,883,470
Total	**$**	**8,737,830**

NOTE 8: NOTES PAYABLE

Ben Franklin Note

Biosyn (a wholly owned subsidiary of the Company and previously a wholly owned subsidiary of Cellegy) issued a note payable to Ben Franklin Technology Center of Southeastern Pennsylvania ("Ben Franklin Note") in October 1992, in connection with funding the development of Savvy, a compound then under development to prevent the transmission of HIV/AIDS.

The Ben Franklin Note was recorded at its estimated fair value of $205,000 and was assumed by Cellegy as an obligation in connection with its acquisition of Biosyn in 2004. The repayment terms of the non-interest bearing obligation include the remittance of an annual fixed percentage of 3.0% applied to future revenues of Biosyn, if any, until the principal balance of $777,902 (face amount) is satisfied. Under the terms of the obligation, revenues are defined to exclude the value of unrestricted research and development funding received by Biosyn from nonprofit sources. Absent a material breach of contract or other event of default, there is no obligation to repay the amounts in the absence of future Biosyn revenues. Cellegy accreted the discount of $572,902 against earnings using the interest rate method (approximately 46%) over the discount period of five years, which was estimated in connection with the Ben Franklin Note's valuation at the time of the acquisition.

Accounting principles generally accepted in the United States emphasize market-based measurement through the use of valuation techniques that maximize the use of observable or market-based inputs. The Ben Franklin Note's peculiar repayment terms outlined above affects its comparability with main stream market issues and also affects its transferability. The value of the Ben Franklin Note would also be impacted by the ability to estimate Biosyn's expected future revenues which in turn hinge largely upon future efforts to commercialize the product candidate, the results of which efforts are not known by the Company. Given the above factors and therefore the lack of market comparability, the Ben Franklin Note would be valued based on Level 3 inputs (see Note 9). As such, management has determined that the Ben Franklin Note will have no future cash flows, as we do not believe the product will create a revenue stream in the future. As a result, the Note had no fair market value at the time of the merger between the Company and Cellegy (see Note 1).

Gemini Master Fund, Ltd. Notes

On April 2, 2012, the Company completed the closing of a private placement financing transaction with Gemini Master Fund, Ltd. pursuant to a securities purchase agreement. The Company issued a 10% Senior Convertible Note (the "Gemini Note") in the aggregate principal amount of $1.0 million and 58,824 shares of our common stock, and received gross proceeds of $1.0 million, excluding transaction costs and expenses. Interest on the Gemini Note was payable at a rate of 10% per annum and was payable on the maturity date of the Gemini Note. Principal and accrued and unpaid interest was due and payable nine months after the date of the Gemini Note. The Gemini Note was convertible into shares of common stock at any time at the discretion of the investor at an initial conversion price per share of $4.25, subject to adjustment for stock splits, stock dividends and other similar transactions and subject to the terms of the Gemini Note. The conversion price was also subject to price anti-dilution adjustments providing that with the exception of certain excluded categories of issuances and transactions, if we issue equity securities or securities convertible into equity securities at an effective price per share less than the conversion price of the Gemini Note, the conversion price of the Gemini Note will be adjusted downward to equal the per share price of the new securities. The Company bifurcated the conversion option derivative from the debt (see Note 9). Our obligations under the Gemini Note and the other transaction agreements were guaranteed by our principal subsidiaries, including Adamis Corporation, Adamis Laboratories, Inc. and Adamis Viral, Inc. The market value of the common stock issued on April 2, 2012 was $4.25 per share, aggregated $250,000. Debt issuance cost of $250,000 was recorded as a result and amortized over the term of the Gemini Note, and is included in interest expense. The stock was restricted for six months from the date issued. Debt issuance costs have been fully amortized as of March 31, 2013.

During the quarter ended December 31, 2012, the Gemini Note and accrued interest payable of approximately $73,000 was converted at $4.25 per share into 252,552 shares of common stock. Concurrent with the conversion, the Company settled the related

derivative and conversion feature liabilities which had a total fair value of $1,840,000. The fair value of the derivative and conversion feature liabilities on the day prior to conversion was determined using the intrinsic value. This resulted in an increase to the derivative and conversion feature liabilities of $354,800. On December 31, 2012, the balance of the adjusted fair value of the derivative and conversion feature liabilities totaling $1,840,000 was reclassified to additional paid in capital. For further details on the conversion feature (see Note 9). The effective annual interest of the Gemini Note was 46.1% after considering the debt issuance cost and the conversion feature.

On June 11, 2012, the Company completed the closing of a private placement financing transaction with Gemini. The Company issued a 10% Senior Convertible Note in the aggregate principal amount of $500,000 ("Gemini Note II") and 29,412 shares of common stock, and received gross proceeds of $500,000, excluding transaction costs and expenses. The maturity date was originally nine months after the date of the note, but was extended to July 11, 2013 on the original maturity date. The Gemini Note II was convertible into shares of common stock at any time at the discretion of the investor at an initial conversion price per share of $9.35, subject to adjustment for stock splits, stock dividends and other similar transactions and subject to the terms of the Gemini Note II. The conversion price was also subject to price anti-dilution adjustments (or down-round protection) providing that with the exception of certain excluded categories of issuances and transactions, if we issue equity securities or securities convertible into equity securities at an effective price per share less than the conversion price of the Gemini Note II, the conversion price of the Gemini Note II will be adjusted downward to equal the per share price of the new securities. The Company bifurcated the conversion option derivative from the debt (see Note 9). Our obligations under the Gemini Note II and the other transaction agreements were guaranteed by our principal subsidiaries, including Adamis Corporation, Adamis Laboratories, Inc. and Adamis Viral, Inc. The Gemini Note II, including accrued interest of $51,944, was exchanged for Secured Notes and Warrants as part of the Company's June 26, 2013 private placement transaction, and is no longer outstanding.

Secured Convertible Promissory Notes

On June 26, 2013, the Company completed the closing of a private placement financing transaction (the "Transaction") with a small number of accredited institutional investors. Pursuant to a Subscription Agreement (the "Purchase Agreement") and other transaction documents, we issued Secured Convertible Promissory Notes ("Secured Notes") and common stock purchase warrants ("Warrants") to purchase up to 764,960 shares of common stock ("Warrant Shares"), and received gross cash proceeds of $5,300,000, of which $286,349 was used to pay for transaction costs, fees and expenses. The Secured Notes had an aggregate principal amount of $6,502,158, including a $613,271 principal amount note issued to Gemini Master Fund Ltd. in exchange for its previously outstanding Gemini Note II, which is no longer outstanding. The maturity date of the Secured Notes was December 26, 2013. Our obligations under the Secured Notes and the other transaction documents were guaranteed by our principal subsidiaries and, pursuant to a Security Agreement entered into with the investors, were secured by a security interest in substantially all of our assets and those of the subsidiaries. The Secured Notes were convertible into shares of common stock at any time at the discretion of the investor at an initial conversion price per share of $8.50. The conversion prices of the Secured Notes and the Warrants are subject to anti-dilution provisions providing that, with the exception of certain excluded categories of issuances and transactions, if we issue any shares of common stock or securities convertible into or exercisable for common stock, or if common stock equivalents are repriced, at an effective price per share less than the conversion price of the Secured Notes or the exercise price of the Warrants (as applicable), without the consent of a majority in interest of the investors, the conversion price of the Secured Notes and Warrants will be adjusted downward to equal the per share price of the securities issued or deemed issued in such transaction. The Company bifurcated the conversion feature derivative and down-round protection derivative from the debt, and recorded a discount totaling $3,564,483 as a result.

The Warrants are exercisable for a period of five years from the date of issuance. The exercise price of the Warrants was initially $12.155 per share, which was 110% of the closing price of the common stock on the day before the closing. The Warrants provide for proportional adjustment of the number and kind of securities purchasable upon exercise of the Warrants and the per share exercise price upon the occurrence of certain specified events, and include price anti-dilution provisions which provide for an adjustment to the per share exercise price of the Warrants and the number of shares issuable upon exercise of the Warrants, if the Company issues common stock or common stock equivalents at effective per share prices lower than the exercise price of the Warrants, on terms similar in material respects to the anti-dilution provisions relating to the Secured Notes.

Provided (i) there is an effective registration statement that covers resale of all of the Warrant Shares, or (ii) all of the Warrant Shares may be sold pursuant to Rule 144 upon cashless exercise without restrictions including without volume limitations or manner of sale requirements, each such event referred to as a Trigger Condition, the Company has the option to "call" the exercise of any or all of the Warrant, referred to as a Warrant Call, from time to time by giving a Call Notice to the holder, provided that the other conditions on the Company's option to exercise a Warrant Call have been satisfied. The Company's right to exercise a Warrant Call commences five trading days after either of the Trigger Conditions has been in effect continuously for 15 trading days. A holder has the right to cancel the Warrant Call up until the date the called Warrant Shares are actually delivered to the holder, such date referred to as the Warrant Call Delivery Date, if the Trigger Condition relied upon for the Warrant Call ceases to apply. A Call Notice may not

be given within 30 days of the expiration of the term of the Warrants. In addition, a Call Notice may be given not sooner than 15 trading days after the Warrant Call Delivery Date of the immediately preceding Call Notice.

We may give a Call Notice only within 10 trading days after any 20-consecutive trading day period during which the volume weighted average price ("VWAP") of our common stock is not less than 250% of the exercise price for the Warrants in effect for 10 out of such 20-consecutive trading day period. The exercise price of the Warrants at December 31, 2013, is $5.95 per share, and accordingly 250% of such exercise price is $14.875 per share. The maximum amount of Warrant Shares that may be included in a Call Notice will be reduced for the holder to the extent necessary so as to prevent the holder from exceeding the beneficial ownership limitation described in the warrants. In addition, a Call Notice may not be given after the occurrence of an event of default. Subject to the foregoing, a holder must exercise the Warrant and purchase the called Warrant Shares within 14 trading days after the Call Date, or the Warrant will be cancelled with respect to the unexercised portion of the Warrant that was subject to the Call Notice. Call Notices generally must be given to all Warrant holders.

The Warrants with the embedded call option at issuance were valued using the Binomial Option Pricing Model. The average fair value of a single Warrant, including the call option, was $2.329 per share and the average value of the Warrant anti-dilution reset feature was $1.2002 per share. As a result, the Company recorded a discount to the Notes for the warrant derivative and warrant down-round protection derivative totaling $2,398,280.

The Secured Notes had a stated interest rate of 0% and were issued with an original issue discount of $539,395. The effective annual interest rate of the note is 199.6%.

The total discount balance related to the Secured Notes resulting from anti-dilution provisions, the conversion features and warrants and original issue discount was $6,502,158 as of June 30, 2013, is amortized to interest expense using the effective interest method, and was fully amortized at March 31, 2014.

In December 2013, three of the investors converted principal of $193,687 into 22,787 shares of common stock. The Company repaid the remaining principal of $6,308,471 of the Secured Notes using the proceeds from the underwritten public offering (Note 13). Pursuant to the provisions of the Secured Notes an early payment fee of 15% of the remaining principal was assessed, and $946,271 was recorded as interest expense as a result. The total amount disbursed to retire the Secured Notes was $7,254,742, and the Secured Notes are no longer outstanding.

In conjunction with the private placement financing transaction, the Company issued warrants to private placement agents to purchase up to 49,673 shares of common stock. The fair market value of the warrants at the time of issuance was $152,000 and was recorded as debt issuance costs. The costs are being amortized to interest expense over the life of Secured Notes. Debt issuance costs have been fully amortized during the year ended March 31, 2014.

December 2012 Convertible Notes

On December 31, 2012, the Company issued a convertible promissory note in the principal amount of $600,000 and 35,294 shares of common stock to a private investor, and received gross proceeds of $600,000, excluding transaction costs and expenses. Interest on the outstanding principal balance of the note accrues at a rate of 10% per annum compounded monthly and is payable monthly commencing February 1, 2013. All unpaid principal and interest on the note was due and payable on December 31, 2013. In connection with the June 26, 2013 private placement transaction, the maturity date of the note was extended to March 26, 2014. At any time on or before the maturity date, the investor has the right to convert part or all of the principal and interest owed under the note into common stock at a conversion price equal to $9.35 per share (subject to adjustment for stock dividends, stock splits, reverse stock splits, reclassifications or other similar events affecting the number of outstanding shares of common stock). The market value of the common stock on the date issued was $12.07 per share, for a total value of $426,000. Debt issuance cost of $426,000 was recorded as a result, and is being amortized over the term of the note. The stock is restricted for six months from the date issued. Additionally, in connection with the extension of the due date, the Company issued 22,058 warrants to purchase common stock, and additional debt issuance cost of $67,500 was recorded. Amortization of the debt issuance cost, which is included in interest expense, was $354,082 for the 12 months ended March 31, 2014.

The conversion feature of the note is considered beneficial to the investor due to the conversion price for the convertible note being lower than the market value of the common stock on the date the note was issued. The estimated value of the beneficial conversion feature was $174,545. The beneficial conversion feature is being amortized over the term of the note. This resulted in a charge to interest expense of $117,053 for the 12 months ended March 31, 2014. The effective annual interest rate of the note is 107% after considering the debt issuance cost and the beneficial conversion feature.

On March 26, 2014, the note was amended to extend the maturity date to June 26, 2014, as well as change the conversion price from $9.35 per share to $6.00 per share (subject to adjustment for stock dividends, stock splits, reverse stock splits, reclassifications or

other similar events affecting the number of outstanding shares of common stock). This amendment changed the present value of the note by greater than 10%, which led the Company to account for the amendment as an extinguishment of and reissuance of the note. The market value of the Company's common stock the day before the amendment date was $6.28, and the conversion feature is considered beneficial as a result. The estimated value of the beneficial conversion feature was $28,000. In addition, the Company recorded a gain on extinguishment of $198,864 which is equal to the difference in the present value between the original and the new note. The beneficial conversion feature and the gain are recorded as discounts to the note payable and are being amortized to interest expense over the term of the note. This resulted in a charge to interest expense of $10,203 during the fiscal year ended March 31, 2014. At March 31, 2014, the net carrying value of the note was $383,339. The effective annual interest rate of the amended note was 196% after considering the discounts.

In June 2014, the note's remaining balance of $383,339 was paid in full. Total interest paid during the nine months period ended December 31, 2014 was $9,221 and the recorded gain on extinguishment of $216,661 was amortized to interest expense. Consequently, the net carrying value of the note at December 31, 2014, was $0.

April 2013 Convertible Notes

On April 5, 2013, we completed the closing of a private placement financing transaction with two investors pursuant to a Securities Purchase Agreement. Pursuant to the purchase agreement, we issued 12% Convertible Debentures in the aggregate principal amount of $575,000, and received gross proceeds of $575,000, of which $67,000 was used to pay for transaction costs, fees and expenses. Interest on the debentures was payable in the amount of 12% of the principal amount, regardless of how long the debentures remain outstanding. Principal and interest was due and payable October 5, 2013. The debentures were convertible into shares of common stock at any time at the discretion of the investor at an initial conversion price per share of $8.50. In June 2013, the note holders converted a portion of the notes into 12,235 shares of common stock, and $644,000 of the net proceeds from the Secured Note and warrant private placement transaction discussed above was used to redeem and pay the outstanding amounts due under the notes including $173,000 for interest. As a result, the notes were no longer outstanding at March 31, 2014.

Notes Payable

On November 30, 2010, the Company entered into a note payable with a drug wholesaler related to sales returns in the amount of $132,741. The note bears interest at the prime rate, plus 2% (5.25% at March 31, 2013), and originally required monthly payments of $10,000. The balance of $22,725 was paid in full during the year ended March 31, 2014. The outstanding balance on this note at March 31, 2014 was $0.

On May 1, 2011, the Company entered into a non-interest bearing note payable with a drug wholesaler related to sales returns in the amount of $147,866. The note required monthly payments of $10,000 with a final payment of $7,866 due on July 15, 2012. The note is currently due on demand and now bears interest at 12% per annum. The note's balance of $38,653 was paid in full during the nine months period ended December 31, 2014. The outstanding balance on this note at December 31, 2014 and March 31, 2014 was $0 and $38,653, respectively.

Notes Payable to Related Parties

The Company had notes payable to a related party amounting to $97,122, which was repaid as of March 31, 2014 and bore interest at 10%. Accrued interest, which is included in accrued expenses, in the consolidated balance sheets, related to the notes was $0 and $79,776 at December 31, 2014 and March 31, 2014, respectively. The accrued interests of $79,776 was paid in full during the nine month period ended December 31, 2014.

NOTE 9: DERIVATIVE LIABILITY AND FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 815 - Derivatives and Hedging provides guidance to determine what types of instruments, or embedded features in an instrument, are considered derivatives. This guidance can affect the accounting for convertible instruments that contain provisions to protect holders from a decline in the stock price, or down-round provisions. Down-round provisions reduce the exercise price of a convertible instrument if a company either issues equity shares for a price that is lower than the exercise price of those instruments, or issues new convertible instruments that have a lower exercise price. We have determined that the conversion feature with the down-round provision on the Gemini notes should be treated as a derivative liability. The Company is required to report the conversion feature liability and the derivative liability resulting from the down-round provision at fair value and record the fluctuation of the fair value in current operations.

The Company recognizes the derivative liabilities at their respective fair values at inception and on each reporting date. The Company values its financial assets and liabilities on a recurring basis and certain nonfinancial assets and nonfinancial liabilities on a nonrecurring basis based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other that Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The Company recognizes the derivative liabilities at their respective fair values at inception and on each reporting date. The Company utilized a binomial option pricing model ("BOPM") to develop its assumptions for determining the fair value of the conversion and anti-dilution features of the Gemini Note II, Secured Notes and Warrants. Key assumptions at June 26, 2013 for the Gemini Note II include a volatility factor of 50.0%, a dividend yield of 0%, expected life of .04 years and a risk free interest rate of 0.02%.

The Company estimated the original fair values of the embedded conversion and anti-dilution features of the Gemini Note II dated June 11, 2012 note to be $169,455 and $23,909, respectively. The fair value of the embedded conversion and anti-dilution features were $162,456 and $50,545 at March 31, 2013, respectively. The fair value of the conversion feature at the exchange date of June 26, 2013 of $100,819 and the fair value of the anti-dilution feature for the same date of $10,000 were settled as part of the modification of the Gemini Note II in conjunction with the June 26, 2013 private placement financing transaction. The gain on the conversion feature derivative is $61,637 and the gain on the down-round protection derivative is $40,545 for the year ended March 31, 2014.

At December 31, 2013, all of the related principal had been converted to common stock or retired, and no remaining value associated with the conversion feature derivative or down-round protection derivative are recorded as a result.

Key assumptions at December 31, 2014 for the Warrants discussed include a volatility factor of 90%, a dividend yield of 0%, expected life of 3.5 years and a risk free interest rate of 1.41%.

The Company estimated the fair value of the Warrants, including call options, to be $2.7961 per share and the down-round protection derivative for the same warrants is estimated at $0.3963. The number of Warrants issued and outstanding was 647,312. The carrying value of the Warrants with call options at December 31, 2014 was $1,809,949 and the carrying value of the down-round protection derivative for the same date was $256,530.

During the transition period ended December 31, 2014, a total of 117,648 warrants were exercised, reducing the fair value warrants and derivative liabilities and increasing Additional Paid in Capital by $319,865.

The table below provides a reconciliation of beginning and ending balances for the liabilities measured at fair value using significant unobservable inputs (Level 3):

	Down-round Protection Derivative	Convertible Feature Liability	Warrants	Warrant Down-round Protection Derivative	Total
Balance, April 1, 2013	$ (50,545)	$ (162,456)	$ —	$ —	$ (213,001)
Settlement Through Modification of Gemini Note II	10,000	100,819	—	—	110,819
Fair Value at Issuance of New Debt	(641,113)	(2,923,370)	(1,781,592)	(616,688)	(5,962,763)
Net Change in Fair Value	681,658	2,985,007	762,053	238,186	4,666,904
Balance, March 31, 2014	—	—	(1,019,539)	(378,502)	(1,398,041)
Release of Warrants Liability upon Exercise	—	—	262,846	57,019	319,865
Net Change in Fair Value	—	—	(1,053,256)	64,953	(988,303)
Balance, December 31, 2014	$ —	$ —	$ (1,809,949)	$ (256,530)	$ (2,066,479)

The derivative liabilities are considered Level 3 liabilities on the fair value hierarchy as the determination of fair values includes various assumptions about future activities and stock price and historical volatility inputs.

The following table describes the valuation techniques used to calculate fair values for assets in Level 3. There were no changes in the valuation techniques during the transition period ended December 31, 2014 and fiscal year ended March 31, 2014.

	Fair Value at December 31, 2014	Fair Value at March 31, 2014	Valuation Technique	Unobservable Input	Range
Warrants and Warrant Down-round Protection Derivative (combined)	$ 2,066,479	$ 1,398,041	Binomial Option Pricing Model	Probability of common stock issuance at prices less than exercise prices stated in agreements	30%
				Probability of reset provision being waived	5%

Significant unobservable inputs for the derivative liabilities include (1) the estimated probability of the occurrence of a down-round financing during the term over which the related debt and warrants are convertible or exercisable, (2) the estimated magnitude of the down-round, and (3) the probability of the reset provision being waived. These estimates which are unobservable in the market were utilized to value the anti-dilution features of the convertible debt and warrants as of December 31, 2014 and March 31, 2014.

NOTE 10: LEGAL MATTERS

The Company may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in management's opinion will not have a material adverse effect on our financial condition, cash flows or results of operations. Any such litigation could divert management time and attention from Adamis, could involve significant amounts of legal fees and other fees and expenses.

NOTE 11: LICENSING AGREEMENTS

Viral Therapies

On July 28, 2006, the Company entered into a nonexclusive, royalty free license agreement with an entity for the technology used to research and develop new viral therapies, and an exclusive royalty-bearing license requiring a small percentage of revenue received by the Company on future products developed and sold with a payment cap of $10,000,000. The Company paid the entity an initial license fee and granted one of the entity's officers the right to purchase 1,000,000 shares of common stock of the Company at price of $0.001 pursuant to a separate stock purchase agreement. The Company also granted the entity a royalty-free non-exclusive license to use any improvements made on the existing technology for research purposes only. The Company and the entity have the

right to sublicense with written permission of each party. In the event that the entity sublicenses or sells the improved technology to a third party, then a portion of the total payments, to be decided by mutual agreement, will be due to the Company.

The Company is obligated to make the following milestone payments to the entity based on commencement of various clinical trials and submissions of an application to the FDA for regulatory approval:

Amount	Date due
$ 50,000	Within 30 days of commencement of Phase I/II clinical trial.
50,000	Within 30 days of commencement of a separate Phase II trial as required by the FDA.
300,000	Within 30 days of commencement of a Phase III trial.
500,000	Within 30 days of submission of a biological license application or a new drug application with the FDA.

Total milestone payments are not to exceed $900,000 and can only be paid one time and will not repeat for subsequent products. At December 31, 2014 and March 31, 2014, no milestones have been achieved.

The agreement will remain in effect as long as the patent rights remain in effect. Adamis has the right to terminate the agreement if it is determined that no viable product can come from the technology. Adamis would be required to transfer and assign all filings, rights and other information in its control if termination occurs. Adamis would retain the same royalty rights for license, or sublicense, agreements if the technology is later developed into a product.

Either party may terminate the license agreement in the event of a material breach of the agreement by the other party that has not been cured or corrected within 90 days of notice of the breach.

Influenza Vaccine

On September 22, 2006, the Company entered into an agreement with an entity to manufacture an influenza vaccine for the Company. The agreement requires the Company to pay $70,000 upon commencement of the project, followed by monthly payments based upon services performed until the project is complete. No product has been manufactured and no payments have been made as of December 31, 2014. Once the project begins, the total payments will aggregate $283,420. The project has an open ended start time. Adamis may terminate the agreement upon notice to the other party, other than reimbursing the other party for non-cancellable materials and supplies ordered, and work in progress, through the date of the termination.

Colby Pharmaceuticals

On February 24, 2010, the Company entered into an agreement with Colby Pharmaceutical Company ("Colby") to acquire three separate exclusive license agreements, covering three small molecule anti-inflammatory compounds, named APC-100, APC-200 and APC-300, for the potential treatment of human prostate cancer, or PCa, in exchange for shares of the Company's common stock. Colby licensed the patents, patent applications and related intellectual property relating to the compounds pursuant to license agreements with a third party ("WARF"). Pursuant to the agreement as amended, on February 25, 2010, the Company was assigned and transferred the license agreement relating to the APC-300 compound in consideration of the issuance of 47,059 shares of common stock to Colby. The transfer of the license agreements relating to APC-100 and APC-200 occurred at a subsequent closing, pursuant to an amendment to the original agreement. Under the amendment, Colby assigned and transferred to the Company the license agreements relating to APC-100 and APC-200 in consideration for the issuance to Colby of 294,118 shares of the Company's common stock. Additionally, the Company issued 73,529 shares to each of two parties related to Colby, for consulting services rendered to the Company in connection with the intellectual property covered by the license agreements.

Under the agreements, with respect to sublicenses granted by the Company, the Company is to pay WARF according to the following schedule:

1. Forty percent (40%) of amounts received under each agreement entered into before an Investigational New Drug ("IND") application is filed by the Company with the Federal Drug Administration ("FDA") for a Product made a subject of the sublicense.

2. Thirty percent (30%) of amounts received under each agreement entered into after the filing of an IND under item (1) above until completion of a Phase 1 clinical trial by the Company for that Product.

3. Twenty-five percent (25%) of amounts received under each agreement entered into after completion of item (2) above until completion of a Phase II clinical trial by the Company for that Product.

4. Twenty percent (20%) of amounts received under each agreement entered into after completion of item (3) above until a New Drug Application ("NDA") has been approved by the FDA for that Product.

5. Ten percent (10%) of amounts received under each agreement entered into after the NDA has been approved by the FDA for that Product.

Milestone Payments are outlined below:

1. $25,000 upon the filing of the first IND or comparable regulatory filing for a human therapeutic Product.

2. $150,000 upon the enrollment of its first patient under a Phase II clinical trial for the first human therapeutic Product.

3. $200,000 upon the enrollment of its first patient under a Phase III clinical trial for the first human therapeutic Product.

4. $250,000 for the first NDA or comparable regulatory approval for a human therapeutic Product.

These milestone payments occur only once for each of the compounds.

Regents of the University of California and Dana-Farber Cancer Institute

On April 18, 2011, the Company entered into an agreement with The Regents of the University of California (University) and the Dana-Farber Cancer Institute, Inc. (DFCI) to acquire the Telomerase Reverse Transcriptase as Antigen for Immunization in Cancer. The term of the agreement expires with the last expiration of the last patent covered by the license.

Under the agreement, with respect to sublicenses granted by the Company, the Company is to pay the University and DFCI according to the following schedule:

1. A license issue fee of $10,000, within thirty (30) days after the effective date.

2. License maintenance fees of $10,000 per year and payable on the first through third anniversary of the effective date and $20,000 annually thereafter on each anniversary until commercially selling a licensed product.

3. Milestone payments in the amounts payable according to the following schedule or events:

   (i) $25,000 upon dosing of 50% of the patients expected to be enrolled for a Phase I clinical trial for the first indication (if such a trial is needed) of a licensed product;

   (ii) $25,000 upon the filing of an IND for the second indication of a licensed product;

   (iii) $100,000 upon dosing of the first patient and $150,000 upon dosing of the 40th patient in a Phase II clinical trial for the first indication of a licensed product;

   (iv) $250,000 upon dosing of the first patient for a Phase II clinical trial for the second indication of a licensed product;

   (v) $600,000 upon dosing of the first patient for a Phase III clinical trial for the first indication of a licensed product;

   (vi) $600,000 upon dosing of the first patient for a Phase III clinical trial for the second indication of a licensed product;

   (vii) $1,000,000 upon receipt of US regulatory approval for each indication of a licensed product.

4. An earned royalty of two percent (2%) on net sales of licensed products as defined in the agreement.

In addition, the Company will reimburse the University and DFCI for past and future patent costs as outlined in the agreement.

During the transition period ended December 31, 2014 and fiscal year March 31, 2014, the Company paid license fees and reimbursed patent defense costs related to this agreement of approximately $10,000 and $100,000, respectively.

3M License and Asset Acquisition Agreement

On August 1, 2013, we entered into an agreement to initially license and, with an additional closing payment fully acquire from 3M Company and 3M Innovative Properties Company ("3M"), certain intellectual property and assets relating to 3M's Taper Dry

Powder Inhaler (DPI) technology under development for the treatment of asthma and chronic obstructive pulmonary disease. The intellectual property includes patents, patent applications and other intellectual property relating to the Taper assets.

Pursuant to the terms of the agreement, we made an initial non-refundable payment to 3M of $3 million and obtained an exclusive worldwide license to the assets and intellectual property in all indications in the dry powder inhalation field. Upon a subsequent closing payment of $7 million made by Adamis on December 27, 2013, ownership of the assets and intellectual property were transferred to the Company, with the Company granting back to 3M a license to the intellectual property assets outside of the dry powder inhalation field.

The Company hired an independent valuation specialist to assist management with its determination of the fair value of the tangible and intangible assets acquired to be used in research and development. Management is responsible for the estimates and valuations. The work performed by the independent valuation specialist has been considered in management's estimates of fair value reflected below.

In addition to the patents and intellectual property, the Company also acquired a transition services agreement outlined in the asset purchase agreement, which provides the buyer certain knowledge transfer rights related to the Taper technology. 3M will provided around five hundred (500) hours of services to the Company as set forth in the letter agreement.

The following table summarizes the fair values of the identifiable assets acquired on December 27, 2013:

Description	
Taper DPI Intellectual Property	$ 9,708,700
Equipment	97,100
3M Transition Services Agreement	194,200
	$ 10,000,000

The values listed above were determined using the cost savings and discounted cash flow methods. Value is estimated based on the cost savings attributable to the asset being appraised which in this case was the transition service agreement. As with most income-based valuation methods, the cost (or royalty) savings method are generally estimated on an after tax basis and discounted using an after tax discount rate. The cost savings method was used to value the transition services agreement. Discounted cash flow analysis involves projecting monetary benefits directly associated with an asset and factoring them to reflect present value at a rate that considers the risk and rate of return associated with the subject asset. In the application of this approach, the value of the asset is considered to be the sum of the present values of the future cash flows received over the expected life of the asset. We applied the discounted cash flow method to estimate the fair value of the acquired intellectual property (patents and unpatented technology associated with the taper dry powder inhaler IP). In regards to the Taper DPI, we calculated the after-tax net income, or cash flow related to the technology and discounted the future income with a discount rate of 26.5%, a 5.0% premium over the weighted average cost of capital.

NOTE 12: COMMITMENTS AND CONTINGENCIES

In addition to the matters described in Note 10, the Company may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in our opinion will not have a material adverse effect on our financial condition, cash flows or results of operations.

Office Lease

In April 2011, the Company leased approximately 2,400 square feet of office space in San Diego, California. The term of the lease is three years. There are no options to extend the lease term.

On February 1, 2014, the Company entered into a sublease agreement in connection with the relocation of the Company's principal headquarters. The new sublease covers approximately 7,525 square feet and has a term that expires November 30, 2014. Rent during the term is $15,050 per month.

On April 1, 2014, the Company entered into a modification of its current lease agreement. The terms of the modification begin December 1, 2014 and extended the expiration date to November 30, 2018. Average rent expense is approximately $23,304 per month, with a deposit of $170,000 due in November 2014. The base rent expense over the life of the lease is approximately $1,118,600. Total rent expense for the Transition 2014 Period and fiscal year ended March 31, 2014, was $143,704 and $85,383, respectively. Rent expense under the lease for the fiscal period ended December 31, 2015 is expected to be $279,650.

Future minimum lease payments as of December 31, 2014 are as follows:

For the Years Ending December 31,		
2015	$	199,380
2016		298,370
2017		307,320
2018		289,450
	$	1,094,520

NOTE 13: CAPITAL STRUCTURE

During September 2014, the Company issued common stock upon exercise of a June 2013 Warrant. The warrant holder exercised the warrant for cash at an exercise price of $3.40 per share. The Company received cash of $170,000 and the warrant holder received 50,000 shares of common stock.

On November 7, 2014, the Company issued 5,331 shares of common stock to a third party entity pursuant to an agreement in consideration for business advisory services performed.

During December 2014, the Company issued common stock upon exercise of several June 2013 Warrants. The warrant holders exercised the warrants for cash at an exercise price of $3.40 per share. The Company received cash of $323,306 and the warrant holder received 95,090 shares of common stock.

NOTE 14: CONVERTIBLE PREFERRED STOCK

On August 19, 2014, the Company completed a private placement transaction with a small number of sophisticated investors pursuant to which the Company issued 1,418,439 shares of Series A Convertible Preferred Stock and warrants to purchase up to 1,418,439 shares of common stock. The shares of Series A Preferred and warrants were sold in units, with each unit consisting of one share and one warrant, at a purchase price of $3.525 per unit. The Series A Preferred is convertible into shares of common stock at an initial conversion rate of 1-for-1 (subject to stock splits, reverse stock splits and similar events) at any time at the discretion of the investor. The exercise price of the warrants is $3.40 per share, and the warrants are exercisable for five years. If the Company grants, issues or sells any Common Stock equivalents pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then a holder of Series A Preferred or Warrants will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the holder could have acquired if the holder had held the number of shares of Common Stock acquirable upon conversion of the Series A Preferred or exercise of the Warrants (without regard to any limitations on conversion). If the Company declares or makes any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, then a holder of Series A Preferred or Warrants is entitled to participate in such distribution to the same extent as if the holder had held the number of shares of Common Stock acquirable upon complete conversion of the Series A Preferred or exercise of the Warrants (without regard to any limitations on conversion).

Gross proceeds to the Company were approximately $5,000,000 excluding transactions costs, fees and expenses. The securities were issued in a private placement transaction to a limited number of shareholders in reliance on Section 4(2) of the Securities Act of 1933, as amended, and/or Regulation D promulgated under the Securities Act. Each person or entity to whom securities were issued represented that the securities were being acquired for investment purposes, for the person's or entity's own account, not as nominee or agent, and not with a view to the resale or distribution of any part thereof in violation of the Securities Act.

NOTE 15: STOCK OPTION PLANS, SHARES RESERVED AND WARRANTS

The Company has a 2009 Equity Incentive Plan (the "2009 Plan"). The 2009 Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights, performance stock awards, and other forms of equity compensation (collectively "stock awards"). In addition, the 2009 Plan provides for the grant of performance cash awards. The initial aggregate number of shares of common stock that may be issued initially pursuant to stock awards under the 2009 Plan was 411,765 shares. The number of shares of common stock reserved for issuance automatically increase on January 1 of each calendar year, from January 1, 2010 through and including January 1, 2019, by the lesser of (a) 5.0% of the total number of shares of common stock outstanding on December 31 of the preceding calendar year or (b) a lesser number of shares of common stock determined by the Company's board of directors before the start of a calendar year for which an increase applies. On November 3, 2014, the number of shares reserved for this issuance increased by 1,000,000, aggregating to 2,862,620 at December 31, 2014. On January 1, 2015, pursuant to the provisions of the 2009 Plan, 532,597 shares were added to the shares reserved for issuance pursuant to awards under the 2009 Plan (see Note 18).

On April 1, 2014, the Company issued options to purchase 86,300 shares of common stock to officers and employees of the Company under the 2009 Equity Incentive Plan with an exercise price of $6.32 per share. The options were granted as a discretionary bonus for performance during the year ended March 31, 2014 and vested immediately. These options were valued using the Black-Scholes option pricing model, the expected volatility was approximately 28% and the risk-free interest rate was approximately 3%, which resulted in a calculated fair value of $239,051 which was accrued as compensation during the year ended March 31, 2014.

On April 1, 2014, the Company issued options to purchase 283,800 shares of common stock to officers and employees of the Company under the 2009 Equity Incentive Plan with an exercise price of $6.32 per share. These options were valued using a Black Scholes model; the expected volatility was approximately 28% and the risk-free interest rate was approximately 3%. The calculated fair value of the options was $786,126 as of date of grant.

From August 25, 2014 to September 29, 2014, the Company issued options to purchase 215,036 shares of common stock to directors, officers and employees of the Company under the 2009 Equity Incentive Plan with exercise prices ranging from $4.04 to $4.71 per share. These options were valued using a Black Scholes model; the expected volatility was approximately 104% and the risk-free interest rate was approximately 2%. The calculated fair value of the options was $795,643 as of date of grant.

On September 18, 2014 and September 22, 2014, the Company issued options to purchase 100,000 and 20,000 shares of common stock to consultants of the Company under the 2009 Equity Incentive Plan with exercise prices of $4.80 and $4.78 per share. These options were valued using a Black Scholes model; the expected volatility was approximately 104% and the risk-free interest rate was approximately 2%. The calculated fair value of the options was $466,400 as of date of grant.

From October 6, 2014 to December 15, 2014, the Company issued options to purchase 230,000 shares of common stock to directors and employees of the Company under the 2009 Equity Incentive Plan with exercise prices ranging from $4.00 to $5.12 per share. These options were valued using a Black Scholes model; the expected volatility was approximately 100% and the risk-free interest rate was approximately 2%. The calculated fair value of the options was $796,500 as of date of grant.

In December 2014, 100,000 options issued on September 18, 2014 were cancelled because these options shall not be exercisable with respect to any shares until the date, if any, the option holder becomes a full-time employee of the Company and the management had made a determination not to hire the option holder on a full-time basis. The options had an exercise price of $4.80 and a calculated fair value of $389,000 as of date of grant.

The following summarizes the stock option activity for the transition period ended December 31, 2014 and fiscal year ended March 31, 2014 below:

	2009 Equity Incentive Plan	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Non-Plan Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life
Balance as of April 1, 2013	395,504	$ 5.78	8.18 years	5,924	$ 701.59	0.60 years
Options Granted	15,000	7.62	9.19 years	—		—
Options Exercised	(5,555)	3.23	—	—		—
Options Canceled	(327)	3.23	—	(5,924)	701.59	—
Balance as of March 31, 2014	404,622	$ 5.83	7.26 years	—	$ —	—
Options Granted	935,100	5.29	9.35 years	—	—	—
Options Exercised	—	—	—	—	—	—
Options Canceled	(100,000)	4.80	—	—	—	—
Balance as of December 31, 2014	1,239,722	$ 5.46	8.42 years	—	$ —	—
Exercisable at December 31, 2014	558,117	$ 5.47	7.15 years	—	$ —	—

Stock based compensation expense for the transition period ended December 31, 2014 and fiscal year ended March 31, 2014 were $625,518 and $596,093, respectively. The fiscal year ended March 31, 2014 stock based compensation consisted of $236,944 in stock options expense and $359,149 in common stock issued for employee stock award. Moreover, during the fiscal year ended March 31, 2014 the Company accrued $239,051 for the stock bonuses awarded on March 31, 2014. As of December 31, 2014, unrecognized

compensation expense related to these stock options was approximately $2.2 million and will be recorded as compensation expense over the next three years.

The aggregate intrinsic value (the difference between the Company's closing stock price on the last trading day of the year and the exercise price, multiplied by the number of in-the-money options) of 1,239,722 and 404,622 stock options outstanding at December 31, 2014 and March 31, 2014 was approximately $1.4 million and approximately $685,000, respectively. The aggregate intrinsic value of 558,117 and 336,398 stock options exercisable at December 31, 2014 and March 31, 2014 was approximately $683,000 and $681,000, respectively.

The Company has reserved shares of common stock for issuance upon exercise at December 31, 2014 as follows:

Warrants	2,401,049
2009 Equity Incentive Plan	2,862,620
Total Shares Reserved	5,263,669

On August 19, 2014, the Company issued warrants to purchase 1,418,439 shares of common stock to a small number of related funds. The warrants were part of the offering to issue Series A Convertible Preferred Stock (see Note 4). The exercise price of the warrants is $3.40 per share, and the warrants are exercisable for five years from the issuance date.

The expiration date of the Old Adamis Warrants was extended three years to November 15, 2015. The following table summarizes warrants outstanding at December 31, 2014:

	Warrant Shares		Exercise Price Per Share	Date Issued	Expiration Date
Old Adamis Warrants	58,824	$	8.50	November 15, 2007	November 15, 2015
Consultant Warrants	635	$	3.40	January 29, 2010	January 25, 2015
Consultant Warrants	17,647	$	3.74	July 11, 2011	July 11, 2016
2013 Private Placement	691,604	$	3.40 - 12.16	June 26, 2013	June 25, 2018
Underwriter Warrants	186,000	$	7.44	December 12, 2013	December 12, 2018
Underwriter Warrants	27,900	$	7.44	January 16, 2014	January 16, 2019
Aug 2014 Preferred Stock Sale	1,418,439		3.40	August 19, 2014	August 19, 2019
Total Warrants	2,401,049				

On March 6, 2013, the Company issued restricted stock units (RSUs) of 42,707 shares of common stock to directors, officers and employees of the Company under the 2009 Equity Incentive Plan. The value of the award per share is $11.39. A portion of the award vests on the first anniversary date of issuance with the remaining vesting annually in equal amounts over 2 years. The fair value of RSUs is $486,433. On March 6, 2014, 31,532 RSUs vested and were issued as common stock. The Company recorded compensation expense of $47,764 and $359,149 for the transition period ended December 31, 2014 and fiscal year ended March 31, 2014, respectively. Unrecognized compensation expense related to these RSUs as of December 31, 2014 was $79,520, and will be recorded as compensation expense over the next fifteen months.

NOTE 16: INCOME TAXES

At December 31, 2014, the Company had net operating loss carry forwards of approximately $136 million and $64 million for federal and state purposes, respectively. The net operating loss carry forwards expire through the year 2031. The Tax Reform Act of 1986 (the "Act") provides for a limitation on the annual use of net operating loss carry forwards following certain ownership changes that could that could limit the Company's ability to utilize these carry forwards. The Company most likely has experienced various ownership changes, as defined by the Act, as a result of past financings. Accordingly, the Company's ability to utilize the aforementioned carry forwards may be limited. Cellegy's merger with Adamis as described in Note 1, may also impact the ability for the Company to utilize certain of its net operating loss carry forwards. Additionally, U.S. tax laws limit the time during which these carry forwards may be applied against future taxes, therefore, the Company may not be able to take full advantage of these carry forwards for federal income tax purposes. The Company determined that the net operating loss carry forwards relating to Cellegy and Biosyn are limited due to the acquisitions, in 2009 and 2004 and has reflected the estimated amount of usable net operating loss carry forwards in its deferred tax assets below.

The benefit for income taxes from continuing operations consists of the following for the nine months ended December 31, 2014 and fiscal year ended March 31, 2014:

	December 31, 2014	March 31, 2014
Current	$ —	$ —
Deferred	(2,367,000)	(859,000)
Total	(2,367,000)	(859,000)
Change in Valuation Allowance	2,367,000	859,000
Tax Benefit, net	$ —	$ —

At December 31, 2014 and March 31, 2014 the significant components of the deferred tax assets from continuing operations are summarized below:

	December 31, 2014	March 31, 2014
Net Operating Loss Carry forwards	$ 46,604,000	$ 44,198,000
Other Temporary Differences	1,268,000	698,000
Gross Deferred Tax Assets	47,872,000	44,896,000
Less Valuation Allowance	(47,872,000)	(44,896,000)
Net Deferred Tax Assets	$ —	$ —

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. In addition to net operating loss carry forwards, differences are primarily attributable to stock compensation expense, depreciation of assets, and accruals.

We have determined at December 31, 2014 and March 31, 2014 that a full valuation allowance would be required against all of our operating loss carry forwards and deferred tax assets that we do not expect to be utilized by deferred tax liabilities.

The following table reconciles our losses from continuing operations before income taxes for the nine months ended December 31, 2014 and fiscal year ended March 31, 2014.

	December 31, 2014		March 31, 2014	
Federal Statutory Rate	$ (3,167,000)	34.00%	$ (2,773,000)	34.00%
State Income Tax, net of Federal Tax	(323,000)	3.63%	(264,000)	3.63%
Permanent Differences	411,000	(4.42%)	880,000	(10.78%)
Change in Valuation Allowance	3,079,000	(33.21%)	2,157,000	(26.85%)
Expected Tax Benefit	$ —	—	$ —	—

NOTE 17: TRANSITION PERIOD COMPARATIVE BALANCES

In November 2014, the Board of Directors of the Company determined that, in accordance with its Bylaws and upon the recommendation of its Audit Committee, the Company's fiscal year shall begin on January 1 and end on December 31 of each year, starting on January 1, 2014. This resulted in a change in fiscal year end from March 31 to December 31. The required transition period of April 1, 2014 to December 31, 2014 is included in these financial statements. For comparative purposes, the unaudited consolidated results of operations and comprehensive income for the nine months ended December 31, 2013 are as follows:

REVENUE	$ -
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,053,730
RESEARCH AND DEVELOPMENT	627,497
Loss from Operations	(2,681,227)
OTHER INCOME	
Interest Expense	(8,480,740)
Change in Fair Value of Warrant Liability	635,147
Change in Fair Value of Derivative Liabilities	938,126
Change in Fair Value of Conversion Feature Liability	2,985,007
Total Other Income (Expense)	(3,922,460)
Net (Loss)	$ (6,603,687)
Basic and Diluted (Loss) Per Share:	
Basic and Diluted (Loss) Per Share	$ (1.04)
Basic and Diluted Weighted Average Shares Outstanding	6,351,650

NOTE 18: SUBSEQUENT EVENTS

On January 1, 2015, the number of shares reserved for the issuance of stock awards covered by the 2009 Equity Incentive Plan (Note 15) increased to an aggregate of 3,395,217, after adding 532,597 shares.

Between January 5 and January 12, 2015, the Company issued 22,232 shares of common stock upon the exercise of warrants originally issued in the June 2013 private placement financing. The exercise price was $3.40 and the Company received $75,589 in proceeds.

On January 8, 2015, the Company issued common stock upon exercise of an investor warrant. The investor utilized a cashless net exercise (based on a price of $6.81 per share) of 72,150 warrants with an exercise price of $3.40 and received 36,132 shares of common stock.

On January 12, 2015, the Company issued 2,300,000 shares of common stock in an underwritten public offering at a public offering price of $5.00 per share. The total gross proceeds from the offering were approximately $11,500,000, before the approximately $800,000 in underwriting discounts and commissions and other offering expenses and before any use of the proceeds by the Company.

From January 22 to March 13, 2015, a total of 317,468 shares of the company issued Series A Convertible Preferred Stocks held by the investors in the August 2014 private placement transaction were converted to 317,468 shares of common stock. The Series A Preferred is convertible into shares of common stock at an initial conversion rate of 1-for-1 (subject to stock splits, reverse stock splits and similar events) at any time at the discretion of the investor.

On January 23, 2015, the Company issued options to purchase 613,163 shares of common stock to the officers and employees of the Company under the 2009 Equity Incentive Plan with an exercise price of $5.99 per share. The options were granted based on a

guideline and not for performance during the year ended December 31, 2014 and will vest over a period of three years. These options were valued using the Black-Scholes option pricing model, the expected volatility was approximately 99% and the risk-free interest rate was approximately 2%, which resulted in a calculated fair value of $2,881,866. The Board of Directors also approved a total of $411,500 in cash bonus to the Company's officers and employees with respect to performance during the period ended December 31, 2014. The amount of bonus was paid in January 2015 but was accrued and expensed during the period ended December 31, 2014.

On February 2, 2015, the Company issued 3,666 shares of common stock to a third party pursuant to an agreement in consideration for business advisory services covering February 1 to April 30, 2015.

Exhibit 10.50

OFFICE LEASE AGREEMENT

BETWEEN

PACIFIC NORTH COURT HOLDINGS, L.P.,

AS LANDLORD

AND

ADAMIS PHARMACEUTICALS CORPORATION

AS TENANT

TABLE OF CONTENTS

STANDARD FORM
MODIFIED GROSS OFFICE LEASE

This Standard Form Modified Gross Office Lease ("Lease") is entered into effective as of April 1, 2014, between PACIFIC NORTH COURT HOLDINGS, L.P., a California limited partnership ("Landlord"), and ADAMIS PHARMACEUTICALS CORPORATION, a Delaware corporation ("Tenant"), who agree as follows:

1. Agreement to Let. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon all of the terms, provisions, and conditions contained in this Lease, (i) those certain premises described in the Principal Lease Provisions below (the "Premises"), consisting of a portion of that certain building described in the Principal Lease Provisions below (the "Building"), which is in turn a part of the Project (as described in the Principal Lease Provisions below), along with (ii) the non-exclusive right to use, in common with Landlord, Landlord's invitees and licensees, and the other tenants and users of space within the Project, those portions of the Project intended for use by, or benefiting, tenants of the Project in common including, without limitation, the landscaped areas, passageways, walkways, hallways, elevators, parking areas, and driveways of the Building and the Project, but excluding all interior areas of the other buildings in the Project other than the Building (collectively, the "Common Areas"). This Lease confers no rights, however, to the roof, exterior walls, or utility raceways of the Building, nor rights to any other building in the Project, nor with regard to either the subsurface of the land below the ground level of the Project or with regard to the air space above the ceiling of the Premises; provided, however, that Tenant shall have the limited right to access systems and equipment exclusively serving the Premises (for which Tenant has maintenance and repair responsibilities pursuant to Paragraph 10.1, below) that may be located on the roof, in exterior or demising walls, in utility raceways, in the airspaces above the ceiling of the Premises, or in any other portion of the Building or the Common Areas for the sole purpose of maintaining, repairing, and replacing such systems and equipment.

2. Principal Lease Provisions. The following are the Principal Lease Provisions of this Lease. Other portions of this Lease explain and describe these Principal Lease Provisions in more detail and should be read in conjunction with this Paragraph. In the event of any conflict between the Principal Lease Provisions and the other portions of this Lease, the Principal Lease Provisions will control. (Terms shown in quotations are defined terms used elsewhere in this Lease)

2.1. "Project'': That certain office project, commonly referred to as Torrey Reserve North Court, in San Diego, California, as more particularly depicted on the attached Exhibit ''A."

2.2. "Building": That certain building within the Project as designated on the attached Exhibit "A". sometimes referred to as Torrey Reserve - North Court Building I, whose mailing address is 11682 El Camino Real, San Diego, California 92130.

2.3. "Premises": Suite 300; consisting of a portion of the third (3rd) floor of the Building, as more particularly described on the attached Exhibit "B."

2.4. Area of the Premises: Approximately 7,525 Rentable Square Feet of space in accordance with the Building Ownwers and Managers method of measuring Net Usuable Square Feet, (USF) and Net Rentable Square Feet (RSF). The term "Rentable Square Feet", "Usable Square Footage," and similar terms dealing with Rentable or Usable means of describing measurements of square footages, will have the meanings of such term adopted by the Building Owners and Managers Association International (relative to *multi-tenant* floors).

2.5. "Initial Lease Term": Four (4) years plus any additional days required for the Initial Expiration Date to occur on the last day of a month as set forth in Paragraph 2.5.2, below, beginning as of the Lease Commencement Date and ending as of the Initial Expiration Date.

2.5.1. "Lease Commencement Date:" December 1, 2014.

2.5.2. "Initial Expiration Date": That date which is four (4) years (plus, if such date is not the final day of a calendar month, however many days are left in the final calendar month of the Term) after the Lease Commencement Date.

2.5.3. Extension Rights: One (1) option to extend (Paragraph 3.2).

2.6. “Basic Monthly Rent”: $3.20 per Rentable Square Foot, net of electricity and other utilities, subject to adjustment pursuant to attached Addendum No.1. Basic Monthly Rent will always be due and payable on or before the first day of the applicable month, except that the first month’s Basic Monthly Rent will be due and payable upon the date of Landlord’s execution of this Lease.

2.7. “Rent Commencement Date”: The earlier of (i) the Lease Commencement Date, or (ii) the date that the Lease Commencement Date would have occurred, but for the occurrence of Tenant Delays (as defined in Exhibit ”C”).

2.8. “Security Deposit”: $170,000.00 Tenant’s Security Deposit-which is due and payable on or before November 1, 2014-does not constitute last month’s rent. Last month’s rent must be separately paid by Tenant on or before the first day of the last month of the Lease Term. If Tenant exercises any Option to Extend (as defined below) contained herein, then as a condition precedent to the effectiveness of Tenant’s exercise of such Option to Extend, Tenant shall pay to Landlord an amount equal to the difference between the Base Monthly Rent for the last year of such Extension Term (as defined below) and the amount of the Security Deposit then held by Landlord; which additional amount will be added to, and constitute a part of, the Security Deposit from that point forward.

2.9. “Base Year”: Calendar year 2014.

2.10. Guarantor: None.

2.11. Address for Landlord:

Pacific North Court Holdings, L.P.
c/o American Assets Trust Management, LLC
11455 El Camino Real, Suite 200
San Diego, CA 92130
Attn: Property Management (Office)

2.12. Addresses for Tenant:

Legal Notices Addresses

(Prior to Occupancy)

Adamis Pharmaceuticals Corporation
11682 El Camino Real, Suite 300
San Diego, CA 92130
Attn: Dennis J. Carlo

(Following Occupancy)

At the Premises

2.13. “Permitted Use”: The Premises shall be used for general office purposes, in accordance with all applicable laws, statutes, ordinances, and regulations and the provisions of this Lease, and for no other use.

2.14. Building Standard Operating Hours:

Monday through Friday: 7:00 a.m.-7:00 p.m.
Saturday: 9:00 a.m.-1:00 p.m.
(excluding Sundays and any local, state, and federal holidays)

2.15. Participating Brokers:

Landlord’s: CBRE, Inc. – Richard Balestri

Tenant’s: Ashcraft Investments, Inc. – William P. Driscoll

2.16. Initial Payment Amounts: $170,000.00, representing the Security Deposit, which amount is payable on or before November 1, 2014, and $24,080.00, representing the first month's Basic Monthly Rent, which amount is payable on the date Tenant executes this Lease (to be adjusted on the Lease Commencement Date to reflect the actual first month's Basic Monthly Rent based upon the actual Rentable Square Footage of the Premises if determined to be different than stated above pursuant to Paragraph 7.4, below).

3. Term.

3.1. Description of Term. The term of this Lease (''Term'') shall commence on the "Lease Commencement Date", and shall expire on the "Initial Expiration Date", subject to (i) any extension rights described in Paragraph 3.2, below, and (ii) earlier termination by Landlord, as provided in this Lease. The term "Expiration Date", as used in this Lease, shall mean the Initial Expiration Date, any earlier date upon which this Lease is terminated by Landlord, as provided below, or if the Term is extended pursuant to Paragraph 3.2, below, then the expiration date of any exercised Extension Term.

3.2. Extension Rights. Tenant shall, subject to all of the provisions of this Paragraph 3.2 (including all subparagraphs hereof), have the option to extend the Term (the "Option to Extend") for one (1) additional term of three (3) years (the "Extension Term"), provided Tenant is in occupancy of not less than 50% of the Premises at the time of exercise of the Option to Extend and Tenant gives Landlord written notice via overnight nationally-recognized courier (such as FedEx or UPS), with signature acknowledgement by recipient required, of its election to exercise the Option to Extend no less than nine (9) months and no more than twelve (12) months prior to the then applicable Expiration Date of the Term. Such notice will constitute Tenant's irrevocable election to extend the Term and may not subsequently be revoked by Tenant except as provided below. Time is of the essence with respect to the timing of such requirement to give notice to Landlord.

3.2.1. Restrictions on Transferability of Option. The Option to Extend is personal to the Tenant originally named in this Lease or any Permitted Transferee (as defined below) and may not be exercised by anyone other than such originally named Tenant or a Permitted Transferee.

3.2.2. Conditions Terminating Tenant's Rights to Exercise Option. Tenant shall not have the right to exercise the Option to Extend, notwithstanding anything set forth above to the contrary: (a) during any period of time commencing from the date Landlord gives to Tenant a written notice that Tenant is in default under any provision of this Lease and continuing until the default alleged in said notice is cured; (b) during the period of time commencing on the day after a monetary obligation to Landlord is due from Tenant and unpaid (without any necessity for notice thereof to Tenant) and continuing until the obligation is paid; or (c) in the event that Landlord has given to Tenant two or more notices of default or two or more late charges have become payable under this Lease during the 12-month period prior to the time that Tenant attempts to exercise the Option to Extend. The period of time within which the Option to Extend may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Option to Extend because of the foregoing provisions of this Paragraph 3.2.2, even if the effect thereof is to eliminate Tenant's right to exercise the Option to Extend.

3.2.3. Conditions Terminating Tenant's Option Rights. All rights with respect to the Option to Extend (including rights as to subsequent Extension Terms, if any) shall terminate and be of no further force or effect even after Tenant's due and timely exercise of the Option to Extend, if, after such exercise, but prior to the commencement of the Extension Term, (a) Tenant fails to pay to Landlord a monetary obligation of Tenant for a period of ten days after such obligation became due (without imposing any obligation on the part of Landlord to give notice thereof to Tenant); (b) Tenant fails to cure a non-monetary default within 30 days after the date the Landlord gives notice to Tenant of such default or (c) Landlord gives to Tenant two or more notices of default or two or more late charges become payable for any monetary defaults, whether or not such defaults are cured.

3.2.4. Terms and Conditions of Extension of Term. If Tenant duly and timely exercises the Option to Extend, then this Lease shall remain in full force and effect for such additional three (3) year period, except that the Basic Monthly Rent will adjust as of the first day of the Extension Term such that for the first year of the Extension Term the Basic Monthly Rent shall be equal to the then prevailing base rental rate (ignoring tenant improvement and similar refurbishment or construction allowances, free rent, and other similar concessions–it being acknowledged that the Option to Extend reflects Tenant's negotiated right to defer its decision whether to initially lease the Premises for such longer period of time, as opposed to Tenant's right to enter into a new lease) for new leases of comparable Class A office space in the Solana Beach, as projected for the first day of the applicable Extension Term and determined pursuant to Paragraph 3.2.5, below (the "Then-Prevailing Rate"). The Basic Monthly Rent will thereafter increase in accordance with the provisions of attached Addendum No.1

3.2.5. Determination of Then-Prevailing Rate. If Tenant exercises the Option to Extend, then Landlord shall, within 15 business days of receipt of Tenant's written notice of exercise, provide Tenant with written notice of the Then-Prevailing Rate and the calculation of the new Basic Monthly Rent to be effective during the first year of the Extension Term. Tenant shall have ten business days from the date of Landlord's notice in which to (a) accept the Landlord's determination of the Then-Prevailing Rate, (b) revoke Tenant's election to exercise the Option to Extend, in which case Tenant's Option to Extend shall be null and void, or (c) dispute Landlord's determination of the Then-Prevailing Rate. If Tenant fails to notify Landlord, in writing, of its disagreement with Landlord's determination of the Then-Prevailing Rate within such ten-business day period, then Tenant will be deemed to have accepted Landlord's determination and Landlord's determination shall be binding on both parties. If Tenant disputes such determination, then its notice to Landlord disputing such determination must set forth Tenant's determination of the Then-Prevailing Rate. Upon receipt of Tenant's notice, Landlord and Tenant shall promptly meet and, in good faith, attempt to agree upon the Then-Prevailing Rate. If Landlord and Tenant are unable to reach agreement upon the Then-Prevailing Rate within 30 days of the date of Landlord's receipt of Tenant's dispute notice, then the parties shall promptly submit such dispute to the San Diego office of the American Arbitration Association (the "AAA"), or its successor, for resolution before a single arbitrator (who must have at least ten years experience in the San Diego County commercial real estate market as a real estate broker or MAI appraiser) in accordance with Real Estate Industry Arbitration Rules of the AAA. Within ten days of the commencement of the arbitration, Landlord and Tenant shall each provide the arbitrator with their respective written determination of the Then-Prevailing Rate-which determination will not be disclosed by the arbitrator until both parties have submitted their respective written determinations. The arbitrator's sole authority will be to select between the Landlord's and the Tenant's respective written determinations of the Then-Prevailing Rate, as set forth in the notices described above, as provided to the arbitrator in accordance with the preceding sentence; provided, however, if either party fails to timely submit such a written determination to the arbitrator, then the arbitrator shall use the written determination of such party as set forth in the notices described above as part of the initiation of the subject process. In no event may such arbitrator select any other amount as the Then-Prevailing Rate. The decision of the arbitrator shall be binding upon all parties and the cost of the arbitration shall be split equally between Landlord and Tenant.

4. Delivery of Possession.

4.1. Delivery Requirements. Tenant is currently in possession of the Premises pursuant to the terms of a sublease ("Sublease") of the lease between Landlord and McDermott, Will & Emery ("MWE Lease"). On the Lease Commencement Date, the MWE Lease and Sublease shall terminate, and Landlord shall tender and Tenant shall accept possession of the Premises pursuant to the terms of this Lease.

5. Use of Premises and Common Areas.

5.1. Permitted Use of Premises. Tenant may use the Premises for the Permitted Use specified in the Principal Lease Provisions and for no other use without Landlord's consent. Any change in the Permitted Use will require Landlord's prior written consent, which consent may be granted or withheld in Landlord's reasonable discretion.

5.2. Compliance with Laws. Landlord covenants that the Premises will comply with all applicable laws as of the Lease Commencement Date. Thereafter, Tenant shall comply with all laws concerning the Premises and/or Tenant's use of the Premises, including without limitation the obligation at Tenant's sole cost to alter, maintain, or restore the Premises in compliance with all applicable laws, even if such laws are enacted after the date of this Lease, and even if compliance entails costs to Tenant of a substantial nature. Such obligation to comply with laws shall include without limitation compliance with Title III of the Americans With Disabilities Act of 1990 (42 U.S.C. 12181 et seq.) (the "ADA"). In addition to the foregoing obligations of Tenant relative to the Premises, if Tenant's particular use of the Premises (including the commencement of any Alterations, as defined below) results in the need for modifications or alterations to any other portion of the Project in order to comply with the ADA or other applicable laws, then Tenant shall additionally be responsible, upon demand, for the cost of such modifications and alterations plus a supervisory fee of ten percent of such cost payable to Landlord. Furthermore, pursuant to Section 1938 of the California Civil Code, Landlord confirms to the best of its knowledge that the entire Project has not undergone inspection by a Certified Access Specialist (CASp). Tenant shall indemnify, defend (with counsel satisfactory to Landlord), and hold Landlord (and its partners, members, shareholders, directors, officers, employees, agents, assigns, and any successors to Landlord's interest in the Project) harmless from and against any and all losses, costs, demands, damages, expenses (including reasonable attorneys' fees), claims, causes of action, judgments, penalties, fines, or liabilities, arising from Tenant's failure to satisfy its obligations under this Paragraph including, without limitation, (i) any costs, expenses, and liabilities incurred by Landlord in connection with responding to any demand by any governmental authority that Landlord undertake any modifications or alterations which are Tenant's responsibility pursuant to this Paragraph 5.2 or for which Tenant is obligated to reimburse Landlord hereunder, as well as (ii) any attorneys' fees, costs, expenses, and liabilities incurred by Landlord in responding to, defending, pursuing, or otherwise being involved with any action, suit, or proceeding arising out of any claim relating to

the non-compliance of the Premises or the Project with the ADA or any similar law where such action, suit, or proceeding relates to, or arises from, Tenant's use of the Premises or any Alterations, except to the extent caused by Landlord's willful misconduct or negligent acts. Landlord shall comply with all applicable laws relating to the structural portions of the Building (including the foundation, structural roof, load bearing walls, structural columns and structural floor) and base building systems that serve the entire Building (including elevator, domestic water and condenser water distribution systems; and electrical distribution systems), provided that compliance with such applicable laws is not the responsibility of Tenant under this Lease. Landlord shall be permitted to include in Operating Expenses any costs or expenses incurred by Landlord under this Paragraph 5.2 to the extent consistent with the terms of Paragraph 8.1.1 below.

5.3. Condition During Periods of Non-Use; Recapture. During any period of time in which Tenant is not continuously using and occupying the Premises for the operation of its business, Tenant shall take such measures as may be necessary or desirable, in Landlord's reasonable opinion, to secure the Premises from break-ins and use by unauthorized persons, to minimize the appearance of non-use, and to otherwise maintain the interior and exterior portions of Tenant's Premises, including all windows and doors, in first class condition. Additionally, during any period of time in excess of 90 days in which Tenant is not continuously using and occupying the Premises during normal business hours. Landlord may, at its election, by giving written notice (the "Non-Use Recapture Notice") to Tenant, recapture the Premises and terminate this Lease. If Landlord elects to exercise such right and delivers a Non-Use Recapture Notice to Tenant, and Tenant fails to cure such condition to Landlord's reasonable satisfaction within five days of such Non-Use Recapture Notice, this Lease will automatically be deemed terminated as of the effective date stated in the Non-Use Recapture Notice, and Tenant shall surrender possession of the Premises and all improvements therein to Landlord as of such date (and any failure to do so shall constitute an immediate Event of Default hereunder).

5.4. Use of Common Areas. Tenant's use of the Common Areas shall at all times comply with the provisions of all Rules (as defined below) regarding such use as Landlord may from time to time adopt. In no event shall the rights granted to Tenant to use the Common Areas include the right to store any property in the Common Areas, whether temporarily or permanently. Any property stored in the Common Areas may be removed by Landlord and disposed of, and the cost of such removal and disposal shall be payable by Tenant to Landlord upon demand. Additionally, in no event may Tenant use any portion of the Common Areas for loading, unloading, or parking, except in those areas specifically designated by Landlord for such purposes, nor for any group social event, sidewalk sale, employment fair or similar commercial or unauthorized purpose.

5.5. General Covenants and Limitations on Use. In addition to the Rules, Tenant and Tenant's Invitees (as defined below) use of the Premises and the Project, will be subject to the following additional general covenants and limitations on use.

5.5.1. Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises. If the rate of any insurance carried by Landlord is increased as a result of Tenant's use other than for the Permitted Use or Tenant's failure to continuously use and occupy the Premises, Tenant shall pay the amount of such increase to Landlord, within ten days after Landlord delivers to Tenant a written notice of such increase.

5.5.2. No noxious or unreasonably offensive activity shall be carried on, in or upon the Premises by Tenant or Tenant's Invitees, nor shall anything be done or kept in the Premises which may be or become a public nuisance or which may cause unreasonable embarrassment, disturbance, or annoyance to others in the Project, or on adjacent or nearby property. To that end, Tenant additionally covenants and agrees that no light shall be emitted from the Premises which is unreasonably bright or causes unreasonable glare; no sounds shall be emitted from the Premises which are unreasonably loud or annoying; and no odor shall be emitted from the Premises which is or might be noxious or offensive to others in the Building, on the Project, or on adjacent or near-by property.

5.5.3. No unsightliness shall be permitted in the Premises which is visible from the Common Areas. Without limiting the generality of the foregoing, all equipment, objects, and materials shall be kept enclosed within the Premises and screened from view or in Common Areas trash enclosures; no refuse, scraps, debris, garbage, trash, bulk materials, or waste shall be kept, stored, or allowed to accumulate except as may be properly enclosed within appropriate containers in the Premises and promptly and properly disposed of.

5.5.4. The Premises shall not be used for sleeping or washing clothes, nor shall the Premises be used for cooking or the preparation, manufacture, or mixing of anything that might emit any offensive odor or objectionable noises or lights onto the Project or nearby properties. Additionally, Tenant shall be responsible for damage to the Project caused by any deliverymen who are at the Project to deliver goods to Tenant.

5.5.5. All pipes, wires, conduit, cabling, poles, antennas, and other equipment/facilities for or relating to utilities, telecommunications, computer equipment, or the transmission or reception of audio or visual signals must be kept and maintained enclosed within the Premises (except to the extent included as part of Landlord's Work, Tenant's Work, or otherwise approved by Landlord).

5.5.6. Tenant shall not keep or permit to be kept any bicycle, motorcycle, or other vehicle, nor any animal (excluding seeing-eye dogs), bird, reptile, or other exotic creature in the Premises.

5.5.7. Neither Tenant nor Tenant's Invitees shall do anything that will cause damage or waste to the Project. Neither the floor nor any other portion of the Premises shall be overloaded. Tenant shall be responsible for all structural engineering required to determine structural load for items placed in the Premises by Tenant. Tenant shall fasten all files, bookcases, and like furnishings to walls in a manner to prevent tipping over in the event of earth movements. Landlord shall not be responsible for any damage or liability for such events. No machinery, equipment, apparatus, or other appliance shall be used or operated in or on the Premises that will in any manner injure, vibrate, or shake all or any part of the Project or be allowed to interfere with the equipment of any other tenant within the Project (or other property owned by Landlord or its affiliates), including, without limitation, interference with transmission and reception of telephone, telecommunications, television, radio, or similar signals.

5.6. Access Rights. Tenant will have 24 hour-a-day, seven day-a-week access to the Building and the Premises. Notwithstanding the foregoing, no failure of such access rights will constitute an eviction or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease; except that Tenant shall be entitled to equitable abatement of its Rent (as defined below) obligations hereunder to the extent such lack of access is due to Landlord's gross negligence or intentional misconduct and continues for a period in excess of three business days. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or incidental to a failure to furnish access under this Paragraph. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of access.

5.7. Remedies for Breach. In the event of any breach of this Paragraph 5 by Tenant or Tenant's Invitees, Landlord, at its election and in addition to its other rights and remedies under this Lease, may pay the cost of correcting such breach and Tenant shall immediately, upon demand, pay Landlord the cost thereof

6. Security Deposit. Upon Tenant's execution of this Lease, Tenant shall deposit with Landlord good funds in the amount of the Security Deposit (if any) set forth in the Principal Lease Provisions, to secure the performance by Tenant of its obligations under this Lease, including Tenant's obligations (i) to pay Basic Monthly Rent and Additional Rent (as defined below), (ii) to repair damages to the Premises and/or the Project caused by Tenant or Tenant's agents, employees, contractors, licensees, and invitees (collectively, "Tenant's Invitees"), (iii) to surrender the Premises in the condition required by Paragraph 24, below, and (iv) to remedy any other defaults by Tenant in the performance of any of its obligations under this Lease. If Tenant commits any default under this Lease, Landlord may, at its election, use the Security Deposit to cure such default, and to compensate Landlord for all damages actually suffered by Landlord which are directly attributable to such default, including, reasonable attorneys' fees and costs incurred by Landlord. Upon demand by Landlord, Tenant shall promptly pay to Landlord a sum equal to any portion of the Security Deposit so used by Landlord, in order to maintain the Security Deposit in the amount set forth in the Principal Lease Provisions above (subject to increase as set forth below). Within 45 days following the Expiration Date or earlier termination of this Lease, Landlord shall deliver to Tenant, at Tenant's last known address, any portion of the Security Deposit not used by Landlord, as provided in this Paragraph (less reductions of same pursuant to Section 6.1 below). Landlord may commingle the Security Deposit (and any advance Rent received by Landlord) with Landlord's other funds and Landlord shall not pay interest on such Security Deposit to Tenant. Tenant waives the provisions of California Civil Code Section 1950.7 (or any successor statute), and any similar principals of law with respect to Landlord's ability to apply the Security Deposit against future rent damages. Furthermore, upon lawful termination of the Lease as a result of Tenant's default, Landlord shall be entitled to immediately apply the Security Deposit against damages computed under California Civil Code Section 1951.2, without the requirement that Tenant first be given notice and an opportunity to cure, and notwithstanding that the damages have not been finally adjudicated by a court.

6.1 Reduction of Security Deposit. Provided Tenant is not in default of any terms of this Lease at the time the Security Deposit is to be reduced, after the giving of any required notice and the expiration of any cure periods set forth in this Lease, such Security Deposit will be subject to annual reductions equal to Forty-Two Thousand Five Hundred and No/100 Dollars ($42,500.00), effective upon the first day of the thirteenth (13th), twenty-fifth (25th), and thirty-seventh (37th) months of the Term. Such reductions shall be issued as a credit which Tenant may use against future Rent. Upon the

thirty-seventh (37th) month of the Term, the remaining Forty-Two Thousand Five Hundred and No/100 Dollars ($42,500.00) of the Security Deposit shall remain in effect through the balance of the Term and any subsequent Term.

7. Rent and Rent Adjustments.

7.1. Initial Monthly Rent. Tenant shall pay to Landlord as minimum monthly rent, without deduction, setoff, prior notice, or demand, the Basic Monthly Rent described in the Principal Lease Provisions (subject to adjustment as provided in the attached Addendum), in advance, on or before the first day of each calendar month, beginning on the Rent Commencement Date and thereafter throughout the Term. If the Rent Commencement Date is other than the first day of a calendar month, then the Basic Monthly Rent payable by Tenant for the second month of the Term following the Rent Commencement Date (acknowledging that the first month's rent is payable upon Lease execution) shall be prorated on the basis of the actual number of days during the Term occurring during the first partial calendar month thereof. Notwithstanding the foregoing, if Landlord is delayed in completion of Landlord's Work due to any Tenant Delays, then in addition to the Basic Monthly Rent payable for the first month of the Term following the Rent Commencement Date, Tenant shall additionally pay to Landlord, upon the Rent Commencement Date, additional rent, at the rate of one-thirtieth of the Basic Monthly Rent per day, for the number of days of such delay.

7.2. Rental Adjustments. The Basic Monthly Rent shall be increased periodically in accordance with the provisions of attached Addendum No. 1 to this Lease.

7.3. Additional Rent. In addition to paying the Basic Monthly Rent pursuant to this Paragraph 7, Tenant shall pay to Landlord (in accordance with Paragraph 8 below), commencing on January 1, 2015, Tenant's Share (as defined below) of the annual Operating Expenses (as defined below) that are in excess of the amount of Operating Expenses applicable to the Base Year. The amounts payable pursuant to this Paragraph, together with all other amounts of any kind (other than Basic Monthly Rent) payable by Tenant to Landlord under the terms of this Lease, constitute additional rent for the Premises and are collectively and individually referred to in this Lease as "Additional Rent."

7.4. General Rental Provisions. All "Rent" (which includes Basic Monthly Rent and all "Additional Rent" hereunder) shall be paid to Landlord at the same address as notices are to be delivered to Landlord pursuant to the Principal Lease Provisions, as Landlord may change such address from time to time pursuant to the terms of this Lease.

8. Additional Rent.

8.1. Definitions. The following definitions apply in this Paragraph 8 (and elsewhere in this Lease):

8.1.1. Operating Expenses. Subject to the Excluded Costs (as defined below) relating to the Project, the term "Operating Expenses" means all expenses, costs, and amounts of every kind or nature that Landlord pays or incurs because of or in connection with the ownership, operation, management, maintenance, or repair of the Building, Common Areas and Project. Operating Expenses include, without limitation, the following amounts paid or incurred by Landlord relative to the Building, Common Areas and Project: (a) the cost of supplying utilities to all portions of the Project (other than tenant suites), including without limitation water, waste deposit, power, electricity, heating, ventilation, and air conditioning, (b) Tax Expenses and Insurance Expenses (as such terms are defined below), (c) the cost of providing janitorial services, window washing service and of operating, managing, maintaining, and repairing all building systems, including without limitation utility, mechanical, sanitary, storm drainage, and elevator systems, and the cost of supplies, tools, and equipment, as well as maintenance and service contracts in connection with those systems, (d) the cost of licenses, certificates, permits, and inspections relating to the operation of the Project, (e) the cost of consumable materials, contesting the validity or applicability of any government enactments that may affect the Operating Expenses, (f) the cost of maintenance, repair, and restoration of any parking areas or structures, including, without limitation, resurfacing, repainting, restriping, and cleaning costs, (g) fees, charges, and other costs, including administrative, management fees and accounting costs (or amounts in lieu of such fees), whether paid to Landlord, an affiliate of Landlord's, or a third party, consulting fees, legal fees, and accounting fees of all persons engaged by Landlord or otherwise reasonably incurred by Landlord in connection with the operation, management, maintenance, and repair of the Project, (h) wages, salaries, and other compensation and benefits of all persons engaged in the operation, maintenance, repair, or security of the Project plus employer's Social Security taxes, unemployment taxes, insurance, and any other taxes imposed on Landlord that may be levied on those wages, salaries, and other compensation and benefits. If any of Landlord's employees provide services for more than one project of Landlord's, only the prorated portion of those employees' wages, salaries, other compensation and benefits, and taxes reflecting the percentage of their working time devoted to the Project will be included in the Operating Expenses, (i) payments under any easement, CC&R's, license, operating agreement, declaration, restrictive covenant, or other instrument relating to the sharing of costs affecting the Project, (j) amortization (including interest on the unamortized cost at a rate equal to the floating commercial loan rate

announced from time to time by Bank of America as its "reference rate" (or a comparable rate selected by Landlord if such reference rate ceases to be published) plus three percentage points per annum) of the cost of acquiring or renting personal property used in the maintenance, repair, and operation of the Project, (k) reasonable reserves (it being acknowledged, that, among other amounts, any amount of reserves required by a Lender, as defined below, will be deemed reasonable), (l) fees and expenses for consultants retained, from time to time, by Landlord for the purposes of energy conservation, waste treatment, and water recycling and for the costs of any capital improvements, equipment or devices installed or paid for by Landlord or, at Landlord option, an annual amount sufficient, on the basis of Landlord's experience or reasonable estimate, to establish in advance of the time for such installation a reserve to fund said costs, in order (i) to conform with any change in laws, rules, regulations or requirements of any governmental or quasi-governmental authority having jurisdiction or of the board of fire underwriters or similar insurance body or, (ii) to effect a labor saving, energy saving, or other economy (including, without limitation, as related to water recycling, waste treatment, and energy generation), amortized over the useful life of such capital improvement, equipment, or device (as reasonably determined by Landlord), and (m) the cost of maintenance of all heating, ventilating and air condition systems relating to individual premises and/or the Common Areas, other than HVAC systems exclusively serving other tenants' premises that are directly paid for, or reimbursed, by such other tenants. All capital expenditures shall be amortized (including interest on the unamortized cost at the rate stated in subparagraph (j) of this Paragraph) over their useful life, as reasonably determined by Landlord's certified public accountant.

8.1.2. Excluded Costs. "Excluded Costs" means the following expenses, as they relate to the Operating Expenses: (i) depreciation, principal, interest, and fees on mortgages or ground lease payments, except as otherwise provided herein, (ii) legal fees incurred in negotiating and enforcing tenant leases, disputes with other tenants, (iii) real estate brokers' leasing commissions and advertising costs in connection with leasing space in the Project, (iv) initial improvements or alterations to tenant spaces in the Project, (v) the cost of providing any service directly to and paid directly by a single individual tenant, or costs incurred for the benefit of a single tenant, (vi) costs of any items to the extent Landlord actually receives reimbursement therefor from insurance proceeds, under warranties, or from a tenant or other third party (such costs shall be excluded or deducted – as appropriate – from Operating Expenses in the year in which the reimbursement is received), or which are paid out of reserves previously included in Operating Expenses, (vii) costs incurred due to Landlord's breach of a law or ordinance, (viii) repairs necessitated by the gross negligence or willful misconduct of Landlord or Landlord's employees, agents, or contractors, (ix) capital expenses other than those specifically included in the definition of Operating Expenses, (x) charitable or political contributions and membership fees or other payments to trade organizations, (xi) costs of Landlord's Work which are to be borne by Landlord pursuant to attached Exhibit "C", if any, (xii) rent and similar charges for Landlord's on-site management office and/or leasing office or any other offices of Landlord or its affiliates, (xiii) Landlord's general overhead expenses not related to the Project, (xiv) electric power and other utility costs for which any tenant directly contracts with and pays the local public service company, (xv) any bad debt loss, rent loss, or reserves for bad debts or rent loss, (xvi) any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord, if any, provided that any compensation paid to any concierge at the Project shall be includable as an Operating Expense, (xvii) any costs expressly excluded from Operating Expenses elsewhere in this Lease, (xiix) costs (A) incurred to comply with laws relating to the removal of Hazardous Material (as defined in Paragraph 37.3 below) except for immaterial amounts completed in connection with routine maintenance and repairs; which was in existence in the Building or on the Project prior to the Lease Commencement Date, and was of such a nature that a federal, State or municipal governmental authority, if it then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions that it then existed in the Building or on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto; and (B) costs incurred to remove, remedy, contain, or treat Hazardous Material, which hazardous material is brought into the Building or onto the Project after the date hereof by Landlord or any other tenant of the Project and is of such a nature, at that time, that a federal, State or municipal governmental authority, if it had then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions, that it then exists in the Building or on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto except for immaterial amounts completed in connection with routine maintenance and repairs, (xix) any gifts provided to any entity whatsoever, including, but not limited to, Tenant, other tenants, employees, vendors, contractors, prospective tenants, and (xxi) any amount paid to Landlord or to subsidiaries or affiliates of Landlord for services in the Project to the extent the same exceeds the cost of such services rendered by qualified, first-class unaffiliated third parties on a competitive basis,

8.1.3. Expense Year. "Expense Year" means the Base Year, and each calendar year after the Base Year, in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

8.1.4. Tenant's Share. "Tenant's Share" means a fraction, the numerator of which is the total aggregate Rentable Square Feet in the Premises, and the denominator of 75,118 which is the total aggregate Rentable Square Feet in the Building. As of the Lease Commencement Date, the Tenant's Share will be 10.02%. If either the Premises or the

Building are expanded or reduced, Tenant's Share shall be appropriately adjusted. Tenant's Share for the Expense Year in which that change occurs shall be determined on the basis of the number of days during the Expense Year in which each such Tenant's Share was in effect.

8.2. Adjustment of Operating Expenses. Operating Expenses shall be adjusted as follows:

8.2.1. Gross Up Adjustment When a Project is Less Than Fully Occupied. If the occupancy of the total Rentable Square Footage of completed, partially occupied buildings within the Project (whose square footage is included in the calculation of the Project's Rentable Square Footage pursuant to Paragraph 8.1.2. above) during any part of any Expense Year (including the Base Year) is less than 95%. Landlord shall make an appropriate adjustment to the variable components of the Operating Expenses for that Expense Year, as estimated by Landlord in its reasonable discretion using sound accounting and management principles, to determine the amount of Operating Expenses that would have been incurred had such buildings been 95% occupied. This amount shall be considered to have been the amount of Operating Expenses for that Expense Year. For purposes of this Paragraph 8.2. "variable components" include only those component expenses that are affected by variations in occupancy levels, such as nightly janitorial service to Tenants' Premises or water usage.

8.2.2. Adjustment When Landlord Adds Additional Buildings to the Project. If Landlord adds additional buildings within the Project following the Base Year, Landlord shall make an appropriate adjustment to the Operating Expenses for the Base Year, as reasonably determined by Landlord using sound accounting and management principles, to determine the amount of Operating Expenses that would have been incurred for the Base Year if such additional building had been complete and 95% occupied during the Base Year.

8.2.3. Adjustment When Landlord Does Not Furnish a Service to All Tenants. If, during any part of any Expense Year (including the Base Year), Landlord is not furnishing a particular service or work (the cost of which, if furnished by Landlord, would be included in Operating Expenses) to a tenant (other than Tenant) that has undertaken to perform such service or work in lieu of receiving it from Landlord, Operating Expenses for that Expense Year shall be considered to be increased by an amount equal to the additional Operating Expenses that Landlord would reasonably have incurred during such period if Landlord had furnished such service or work to that tenant.

8.2.4. Additional Costs. If due to a change in the types of costs being incurred by Landlord as Operating Expenses (such as, for example, the commencement or cessation of security services—but not a mere change in how a particular cost is handled—such as going from an in-house to an outside landscaping service), the Base Year Operating Expenses need to be adjusted to eliminate the effect of such change, Landlord shall reasonably adjust the Base Year Operating Expenses and notify Tenant of such change in writing. Furthermore, Landlord shall have the right to reasonably decrease the amount of the Base Year Operating Expenses for purposes of calculating Increased Operating Expenses to eliminate the effect of abnormally high costs, or unusual costs, of a particular type or types (such as, by way of example, abnormally high energy costs associated with the "energy crisis" of 2001) occurring during the Base Year. There shall be no cap on Operating Expenses.

8.2.5. Common Areas. Landlord may elect to partition/separate portions of the Common Areas of the Project such that the Operating Expenses associated with such partitioned Common Areas are allocated to particular buildings or parcels within the Project.

8.3. Tax Expenses. "Taxes" means and refers to all federal, state, county, or local government or municipal taxes, school taxes, sewer rates, fees, charges, or other impositions of every kind or nature, whether general, special, ordinary, or extraordinary. Taxes include taxes, fees, and charges such as real property taxes, general and special assessments, transit taxes, leasehold taxes, and taxes based on the receipt of rent (including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant), and personal property taxes imposed on Landlord's fixtures, machinery, equipment, apparatus, systems, appurtenances, and other personal property used in connection with the Project or the Building, as the case may be, along with reasonable legal and other professional fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce real property taxes. Notwithstanding the foregoing, the following shall be excluded from Taxes: (a) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal, state, and local income taxes, and other taxes applied or measured by Landlord's general or net income (as opposed to rents, receipts, or income attributable to operations at the Building), and (b) personal property taxes attributable to property owned or installed by or for other tenants of the Project; ''Tax Expenses" means the sum of all Taxes that are paid or incurred by Landlord because of or in connection with the ownership, leasing, and/or operation of the Project from time to time.

8.4. Calculation and Payment of Operating Expenses. Tenant's Share of the increased Operating Expenses for any Expense Year shall be calculated and paid as follows:

8.4.1. Calculation of Excess. If Operating Expenses for any Expense Year (other than the Base Year) ending or beginning within the Lease Term exceeds the amount of Operating Expenses applicable to the Base Year, Tenant shall pay as Additional Rent to Landlord an amount equal to Tenant's Share of that excess, in the manner stated below.

8.4.2. Statement/Payment of Operating Expenses. Tenant shall pay to Landlord, on the first day of each calendar month during the Lease Term, commencing January 1, 2015, as Additional Rent, without notice, demand, offset, or deduction (except as provided below), an amount ("Tenant's Monthly Payment") equal to one-twelfth of Tenant's Share of the amount by which the Operating Expenses for each Expense Year following the Base Year exceed the Base Year Operating Expenses (such excess being referred to herein as the "Increased Operating Expenses"), as estimated (and subsequently reconciled) by Landlord in the most recently delivered Estimated Statement (as defined below). Landlord intends to deliver to Tenant, prior to the commencement of each Expense Year following the Base Year during the Lease Term, a written statement ("Estimated Statement") setting forth Landlord's estimate of the Operating Expenses and Increased Operating Expenses allocable to the ensuing Expense Year, and Tenant's Share of such Increased Operating Expenses. Landlord may, at its option, during any Expense Year, deliver to Tenant a revised Estimated Statement, revising Landlord's estimate of the Operating Expenses and Increased Operating Expenses, in accordance with Landlord's most current estimate. Within approximately 90 days after the end of each Expense Year during the Lease Term, Landlord intends to deliver to Tenant a written statement ("Actual Statement") setting forth the actual Operating Expenses allocable to the preceding Expense Year. Tenant's failure to object to Landlord regarding the contents of an Actual Statement, in writing, within 90 days after delivery to Tenant of such Actual Statement, shall constitute Tenant's absolute and final acceptance and approval of the Actual Statement. If the sum of Tenant's Monthly Payments actually paid by Tenant during any Expense Year exceeds Tenant's Share of the actual Increased Operating Expenses allocable to such Expense Year, then such excess will be credited against future Tenant's Monthly Payments, unless such Expense Year was the Expense Year during which the Lease Expiration Date occurs (the "Last Calendar Year"), in which event either (i) such excess shall be credited against any monetary default of Tenant under this Lease, or (ii) if Tenant is not in default under this Lease, then Landlord shall (within the time frame for returning Tenant's Security Deposit) pay to Tenant such excess. If the sum of Tenant's Monthly Payments actually paid by Tenant during any Expense Year is less than Tenant's Share of the actual Increased Operating Expenses allocable to such Expense Year, then Tenant shall, within thirty (30) days of delivery of the Actual Statement, pay to Landlord the amount of such deficiency. Landlord's delay in delivering any Estimated Statement or Actual Statement will not release Tenant from its obligation to pay any Tenant's Monthly Payment or any such excess upon receipt of the Estimated Statement or the Actual Statement, as the case may be. The references in this Paragraph to the actual Increased Operating Expenses allocable to an Expense Year, shall include, if such Expense Year is the Last Calendar Year, the actual Increased Operating Expenses allocable to the portion of such year prior to the Lease Expiration Date, calculated on a pro rata basis, without regard to the date of a particular expenditure. The provisions of this Paragraph 8.4 shall survive the termination of this Lease, and even though the Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Operating Expenses for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid by Tenant pursuant hereto and conversely any overpayment made in Tenant's estimated payments shall be immediately rebated by Landlord to Tenant.

8.5. Landlord's Books and Records. If Tenant disputes the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, Tenant may, upon at least five business days' notice to Landlord, request an opportunity to inspect and audit Landlord's records and supporting documentation regarding such Actual Statement. Such inspection and audit must be conducted by an independent certified public accountant within 180 days of the date Tenant received the Actual Statement, shall be at Tenant's sole cost and expense (except as provided below), and Landlord shall, at its election, either provide copies of such records and supporting documentation to Tenant or make such records and supporting documentation available to Tenant for its inspection at Landlord's business office in San Diego, California during normal business hours. If Tenant fails to dispute the amount of Additional Rent stated in an Actual Statement within 90 days of Tenant's receipt thereof, or Tenant's audit fails to disclose a discrepancy in such Actual Statement within 180 days after Tenant's receipt of the Actual Statement in question, then the Actual Statement will be deemed binding on Tenant. If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein) that Tenant was overcharged relative to the Operating Expenses, such overcharge shall entitle Tenant to a credit against its next payment of Operating Expenses in the amount of the overcharge plus, in the case of an overcharge exceeding three percent of the Operating Expenses, the reasonable third party costs of such audit (and if such credit occurs following the expiration of the Term, Landlord shall promptly pay the amount of such credit to Tenant). If it is determined as a result of Tenant's timely audit of Landlord's records (and Landlord's certified public accountant's concurrence therein), or otherwise, that Tenant was undercharged relative to the Operating Expenses, Tenant shall, within ten days of written demand, pay such undercharge to Landlord.

9. Utilities and Services.

9.1. Tenant's Utility Costs. To the extent separately metered to the Premises, Tenant shall pay when due all bills for gas, electricity, and other utilities used at the Premises on and after the Rent Commencement Date and through and including the date of expiration of this Lease.

9.2. Standard Tenant Services. Subject to the terms and conditions contained herein, Landlord shall provide the following services during the Lease Term.

9.2.1.Subject to limitations imposed by all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide heating and condenser water to facilitate the production of air conditioning (collectively, "HVAC") when necessary for normal comfort for normal office use in the Premises during Building Standard Operating Hours.

9.2.2. Landlord shall provide adequate electrical wiring and facilities sufficient to provide electrical current to the Premises for Project-standard ordinary and customary office uses and excluding electrical power required for electric data processing equipment, computer rooms, special lighting in excess of Building standard lighting, or any other item of electrical equipment which (individually) consumes more than 1.8 kilowatts at rated capacity in which requires a voltage other than 120 volts single phase. In addition to the foregoing, Landlord shall replace lamps, starters, and ballasts for Project-standard lighting fixtures within the Premises upon Tenant's request; the expense of which will be an Operating Expense. Tenant shall replace lamps, starters, and ballasts for non-Project-standard lighting fixtures within the Premises at Tenant's sole expense. Landlord shall also provide electrical service in connection with Common Area needs, such as lighting.

9.2.3. Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes in the Building Common Areas.

9.2.4. Landlord shall provide five day per week ordinary and customary, basic janitorial services in and about the Premises in a manner consistent with other comparable buildings in the vicinity of the Building. Landlord shall not be required to provide janitorial services to above-Project-standard improvements installed in the Premises including but not limited to metallic trim, wood floor covering, glass panels, interior windows, kitchen/dining areas, executive washrooms, or shower facilities. Any janitorial services required by Tenant and provided by Landlord in excess of such ordinary and customary, basic janitorial services shall be separately paid for by Tenant, as Additional Rent, within ten days of written demand.

9.2.5. Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Hours, shall have one elevator available at all other times, including on the Holidays, and shall provide nonexclusive, non-attended automatic passenger escalator service during Building Hours only.

9.2.6. Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord.

Tenant shall cooperate fully with Landlord at all times and abide by all regulations and requirements that Landlord may reasonably prescribe for the proper functioning and protection of the HVAC, electrical, mechanical, and plumbing systems. Notwithstanding the foregoing, Tenant shall be responsible for all installation and recurring costs associated with utilities services at the Premises.

9.3. Over-Standard Tenant Use. Tenant shall not exceed the rated capacity of the Building's electrical and other utility systems, which systems will be consistent in capacity with other first class office buildings built at or about the same time as the Building. In the event of any damage to any of the Project's systems caused by Tenant's use thereof in excess of ordinary and customary usage for a professional office. Tenant shall be responsible for all costs and expenses incurred by Landlord as a result of such over-use. In addition, if Tenant requires any utilities or services described in this Paragraph 9, which are to be provided by Landlord, in excess of the standard levels being provided by Landlord, or during hours other than Building Standard Operating Hours, Landlord shall have the right to impose reasonable restrictions on such usage and/or commercially reasonable charges therefor. The initial charge to Tenant for heating and air conditioning during hours other than Building Standard Operating Hours will be $45.00 per hour (or portion thereof), subject to increase over the Lease Term, including the Extension Term, if any. This charge will be based on Landlord's actual cost and there will be no Landlord "add-on" or supervisory fee associated with this charge. Such charges are Additional Rent relative to the provision of such services and are not an offset to any Operating Expenses.

9.4. Conduit and Wiring. Installation of all types of conduit and wiring exclusively serving the Premises (other than as part of Landlord's Work), including but not limited to Tenant's Work, is subject to the requirements of Paragraph 22, below, Exhibit "C", and the Landlord's reasonable approval of the location, manner of installation, and qualifications of the installing contractor. All such conduit and wiring will, at Landlord's option, become Landlord's property upon the expiration of the Term. Upon expiration of the Term, Landlord may elect to require Tenant to remove such conduit and wiring at Tenant's expense and return the Premises and the Common Areas to their pre-existing condition. If Landlord constructs new or additional utility facilities, including wiring, plumbing, conduits, and/or mains, resulting from Tenant's changed or increased utility requirements, Tenant shall on demand promptly pay (or advance) to Landlord the cost of such items as Additional Rent.

9.5. Utilities Generally. Tenant agrees that, except as provided below, Landlord will not be liable for damages, by abatement of Rent or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services) or for diminution in the quality or quantity of any service. Such failure, delay, or diminution will not constitute an eviction or a disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease, except that Tenant will be entitled to an equitable abatement of Rent for the period of such failure, delay, or diminution to the extent such failure, delay, or diminution is (i) is directly attributable to Landlord's negligent acts or omissions, (ii) prevents Tenant from using, and Tenant does not use, the Premises or the affected portion thereof for the conduct of Tenant's business operations therein, (iii) Tenant was using the Premises or such affected portion for the conduct of Tenant's business operations immediately prior to the failure, and (iv) such failure, delay, or diminution continues for more than two consecutive business days (or ten business days in any twelve month period) after delivery of written notice of such failure, delay, or diminution from Tenant to Landlord. Landlord will not be liable, under any circumstances, for a loss of or injury to property or for injury to or interference with Tenant's business, including loss of profits through, in connection with, or incidental to a failure to furnish any of the utilities or services under this Paragraph. Notwithstanding the foregoing, Landlord agrees to use reasonable efforts to promptly correct any such interruption of utilities or services. Tenant hereby waives the provisions of California Civil Code Section 1932(1) or any other applicable existing or future law, ordinance or governmental regulation permitting the termination of this Lease due to the interruption or failure of or inability to provide any services required to be provided by Landlord hereunder. If any governmental authority having jurisdiction over the Project imposes mandatory controls, or suggests voluntary guidelines applicable to the Project, relating to the use or conservation of water, gas, electricity, power, or the reduction of automobile emissions, Landlord, at its sole discretion, may comply with such mandatory controls or voluntary guidelines and, accordingly, require Tenant to so comply. Landlord shall not be liable for damages to persons or property for any such reduction, nor shall such reduction in any way be construed as a partial eviction of Tenant, cause an abatement of Rent, or operate to release Tenant from any of Tenant's obligations under this Lease, except as specifically provided in this Paragraph 9.5.

10. Maintenance.

10.1. Tenant's Duties. Tenant shall at its sole cost maintain, repair, replace, and repaint, all in first class condition, the interior of the Premises, all building systems exclusively serving the Premises and located within the Premises or the walls of the Premises, and any damage to the Premises or the Project resulting from the acts or omissions of Tenant or Tenant's Invitees Tenant shall maintain all communications conduit, equipment, and wiring serving the Premises, whether in the Premises or not (and specifically including all of Tenant's Work and all wiring, equipment, and conduit located on the roof of the Building), regardless of the ownership of said conduit or wiring, subject to Landlord's reasonable approval of Tenant's maintenance/repair contractor and manner of maintenance/repair. Notwithstanding anything to the contrary contained herein, Tenant shall pay any and all maintenance and recurring costs for supplemental HVAC units exclusively serving the Premises, or any portion thereof, upon presentation of invoice from Landlord. If Tenant fails to maintain, repair, replace, or repaint any portion of the Premises or the Project as provided above then following ten days' written notice thereof to Tenant, Landlord may, at its election, maintain, repair, replace, or repaint any such portion of the Premises or the Project and Tenant shall promptly reimburse Landlord, as Additional Rent, for Landlord's actual cost thereof, plus a supervisory fee in the amount of ten percent of Landlord's actual cost. Notwithstanding the foregoing, if following Tenant's payment (or performance) of its obligations under this Paragraph, Landlord receives payment from an insurer for such work, Tenant will be entitled to receive such proceeds (after Landlord has first been fully reimbursed for its costs and expenses relative thereto including Landlord's costs and expenses in obtaining such proceeds) to the extent Tenant previously paid or incurred third party costs relative thereto..

10.2. Landlord's Duties. Landlord shall, as part of the Operating Expenses, maintain, repair, replace, and repaint, all in good order and condition, consistent with other first-class office buildings in the vicinity of the Building, the Common Areas and all portions of the interior and exterior of the Building and any other buildings in the Project (including, without limitation, all electrical, mechanical, plumbing, fire/life safety, and other building systems), except to the extent of Tenant's obligations as set forth in Paragraph 10.1, above. Landlord's failure to perform its obligations set forth above will

not release Tenant of its obligations under this Lease, including without limitation Tenant's obligation to pay Rent. Tenant waives the provisions of California Civil Code Section 1942 (or any successor statute), and any similar principles of law with respect to Landlord's obligations for tenantability of the Premises and Tenant's right to make repairs and deduct the expense of such repairs from rent. If Landlord fails to perform any of its repair and maintenance obligations under this Paragraph 10.2 and such failure materially and adversely impairs Tenant's ability to use and occupy the Premises for the Permitted Use, Tenant will have the right, to perform such repairs and/or maintenance to the extent necessary to enable Tenant to resume its use and occupancy of the Premises. Notwithstanding the foregoing, prior to exercising such right, Tenant must, except as provided below in connection with an emergency, have given Landlord at least 30 days' prior written notice of the nature of the problem and Tenant's intention to exercise its rights under this Paragraph if such matter is not resolved within such 30-day period; provided, however, if the nature of thematter giving rise to such repair or maintenance obligation obligation will reasonably require more than 30 days to remedy and Landlord is proceeding with due diligence to remedy such matter, then such 30 day period will be extended for such additional time as may be necessary for Landlord to complete such repairs or maintenance. Notwithstanding the preceding sentence, in the case of an emergency which poses an imminent threat of death, injury, or severe damage to persons or property, the required notice from Tenant may be provided orally rather than in writing and for such shorter period of time (i.e., less than 30 days) as Tenant, in the exercise of its reasonable judgment deems appropriate under the exigent circumstances (however, at a minimum, Tenant shall at least contact Landlord telephonically prior to commencing such work so that Landlord may, make arrangements to handle such emergency itself). If Landlord fails to fulfill its repair and maintenance obligations under this Paragraph, and as a result thereof Tenant exercises the foregoing right to correct such matter, then Landlord shall reimburse Tenant for the reasonable third-party costs incurred by Tenant to complete such repairs and/or maintenance within 30 days after receipt of Tenant's written demand therefor, together with copies of the paid invoices evidencing the costs so incurred. Any such repairs or maintenance performed by Tenant, as permitted herein, must be performed in a good and workmanlike manner by licensed contractors. Under no circumstances may Tenant offset any amount it is owed by Landlord pursuant to this Paragraph (or otherwise) against any Rent obligation under this Lease.

11. Parking.

11.1. General Parking Rights. Subject to the remaining provisions of this Paragraph 11, Landlord grants to Tenant (for the benefit of Tenant and Tenant's Invitees) the right to the non-exclusive use of the unreserved parking area within the boundaries of and serving the Project (the "Parking Area"). Tenant's use of the Parking Area shall be subject to such reasonable, non-discriminatory rules as Landlord may, in its sole discretion, adopt from time to time with respect to the Parking Area, (i) rules providing for the payment of charges or fees by users of the Parking Area , and in such event the charges or fees shall be deemed Additional Rent, (ii) rules limiting tenants of the Project (Tenant) to the use of, or excluding the use of, certain parking spaces or certain portions of the Parking Area, in order to maintain the availability of accessible parking spaces for clients, guests, and invitees of tenants of the Project, and (iii) rules limiting tenants of the Project (including without limitation Tenant), and their employees, to the use of a restricted number of parking spaces or a restricted area. If Tenant, or any of Tenant's employees, fails to comply with any such rules or requirement (such as, by way of example, parking in areas designated as visitor parking only), then Landlord will have the right to either have such vehicles towed from the Project at Tenant's expense, or to charge Tenant $100.00 per day per car for any cars which are parked in violation of such requirements. Furthermore, Landlord shall have the right to immobilize such improperly parked vehicles by use of a "boot" or other device. Notwithstanding anything to the contrary in this Paragraph, Landlord may, at its election, construct improvements upon or otherwise alter in any manner the Parking Area, provided that Landlord makes parking available to Tenant elsewhere within the Project (or within a reasonable distance from the Premises that is equal to or greater than the applicable ratio described in Paragraph 11.2. below. Landlord reserves the right to grant certain tenants in the Project the exclusive right to park in specified areas of the Parking Area, to the exclusion of all other tenants. Tenant acknowledges that the exercise of the rights reserved to Landlord under this Paragraph may result in a decrease in the number of parking spaces available to Tenant and Tenant's Invitees, and no such decrease shall affect Tenant's obligations under this Paragraph or entitle Tenant to any abatement of Rent, provided the applicable parking ratio described in Paragraph 11.2. below, is maintained or exceeded.

11.2. Parking Ratios. As of the Rent Commencement Date (and subject to temporary interruptions in connection with Landlord's continued development of the Project, as provided below), the parking ratio within the Project applicable to Tenant will be twenty-six (26) spaces based on four (4) spaces per 1,000 Usable Square Feet ("USF") of space within the Premises. The foregoing (4:1,000 USF) parking ratio includes all spaces within the Project, including covered, uncovered, reserved, unreserved, handicap, and visitor parking spaces. Of the total spaces described above, a maximum of six (6) of said total spaces may be reserved in the parking garage by Tenant at the rate of $100.00 per space per month during the initial Lease Term. Tenant shall notify Landlord in writing upon execution of this Lease how many of the six (6) reserved spaces it chooses to reserved, and only those spaces shall be reserved for the entire initial Lease Term All unreserved parking shall be provided on a free and unassigned basis (i.e., first come, first served).

12. Signs.

12.1. General Signage Conditions. Landlord may at any time change the name of either or both of the Building and/or the Project and install, affix, and maintain all signs on the exterior and interior of the Building and other buildings within the Project as Landlord may, in Landlord's sole discretion, desire. Tenant shall not have or acquire any property right or interest in the name of the Building or the Project. Subject to Tenant's signage rights under Paragraph 12.2. below. Tenant may not place, construct, or maintain any sign, advertisement, awning, banner, or other exterior decoration (collectively, "sign") inside or outside the Premises which is visible from the exterior of the Premises, or on the Building or any other portion of the Project, without Landlord's prior written consent. Any sign that Tenant is permitted by Landlord to place, construct, or maintain in the Premises or on the Building or the Project (including pursuant to Paragraph 12.2. below) must comply with Landlord's sign criteria applicable to the Project, including, criteria relating to size, color, shape, graphics, and location (collectively, the "Sign Criteria"), and shall comply with all applicable laws, ordinances, CC&R's (or similar recorded instruments), rules, or regulations, and Tenant shall obtain any approvals required by such laws, ordinances, CC&R's (or similar recorded instruments), rules, and regulations. Landlord makes no representation or warranty with respect to Tenant's ability to obtain any such approval. Tenant shall, at Tenant's sole cost, make any changes to any sign, whether in the Premises or on the Building, as required by any new or revised applicable laws, ordinances, rules, or regulations or any changes in the Project Sign Criteria. Tenant shall, additionally, maintain, repair, and replace all of Tenant's signs (including, specifically, those installed pursuant to Paragraph 12.2. below) in first class condition. Nothing contained in this Paragraph 12 will limit the Landlord's right to grant signage rights to other tenants of the Building, or to affect the signage rights of any tenant of the Building.

12.2. Tenant's Individual Signage Rights. Subject to compliance with the requirements of Paragraph 12.1, above, Tenant is hereby granted the following signage rights in/on the Building and at the Project.

12.2.1. Directory/Suite Signage. The Building will be provided, at Landlord's expense, with both a Project-standard lobby directory sign and suite signage. Tenant shall be entitled to be listed on such signs, subject to prior approval of the Tenant's graphics by Landlord, if applicable.

13. Rules, Regulations, and Covenants. Tenant shall observe (and shall cause Tenant's Invitees to observe) faithfully and comply strictly with any rules and regulations which Landlord may from time to time adopt for the Project (and provide Tenant with a copy of), as well as any recorded easement agreements, maintenance agreements, CC&R's or like instruments affecting the Building and/or the Project, whether now existing or hereafter adopted or amended from time to time (all of the foregoing, collectively, "Rules"). The current Rules are attached as Exhibit "D". Landlord has no duty or obligation to enforce any Rule against any other tenant, and Landlord will not be liable to Tenant for violation of any Rule by any other tenant, or any other tenant's agents, employees, officers, independent contractors, customers, invitees, visitors, or licensees. Tenant acknowledges that Landlord reserves the right, from time to time, to enter into leases or other agreements by which Landlord agrees to restrict the use of all or any portion of the Project (including the Premises) from certain uses. All such leases and other agreements, whether now existing or entered into in the future, shall be binding upon Tenant and in no event shall Tenant utilize the Premises for any use so prohibited; provided, however, no such restriction may prevent Tenant from using the Premises for the Permitted Use.

14. Intentionally Deleted.

15. Tenant's Liability Insurance. Tenant shall maintain, at Tenant's sole cost and expense, Commercial General Liability Insurance covering the insured against (i) any and all Claims (as defined below) of bodily injury, personal injury and property damage (including loss of use thereof) arising out of or connection with Tenant's use, occupancy and operations within the Premises and Building, and (ii) all contractual liabilities under this Lease, including, without limitation, indemnity provisions contained herein, for limits of liability not less than:

Bodily Injury and	$2,000,000 each occurrence
Property Damage Liability	$4,000,000 annual aggregate
Personal Injury Liability	$2,000,000 each occurrence
	$4,000,000 annual aggregate
	0% Insured's participation

16. Tenant's Property Damage Insurance. Tenant shall maintain, at Tenant's sole cost and expense, Physical Damage Insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) all Tenant improvements (installed and/or constructed per Exhibit "C" attached hereto), and any

other improvements which exist in the Premises as of the Commencement Date (excluding the base building structure and building systems), and (iii) all other improvements, Alterations, Personal Property and additions to the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value, new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, coverage with respect to increased costs due to building ordinances, demolition coverage, boiler and machinery insurance and explosion. Such "full replacement value" shall be determined by the insurance company issuing such policy at the time the policy is initially obtained. Not more frequently than once every two years, either Landlord or Tenant may, at its election, notify the other that it elects to have the replacement value redetermined by an insurance company. Such redetermination shall be made promptly and in accordance with the rules and practices of the Board of Fire Underwriters, or a like board recognized and generally accepted by the insurance company, and Landlord and Tenant shall be promptly notified of the results by the company. Such policy shall be promptly adjusted according to such redetermination

17. Tenant's Additional Insurance. In addition to the foregoing coverages, Tenant shall maintain, at Tenant's sole cost and expense:

17.1. Worker's Compensation and Employer's Liability or other similar insurance pursuant to all applicable laws.

17.2. Business Interruption Insurance in amounts sufficient to reimburse Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or to the Project as a result of such perils, including, without limitation, reimbursement for payment of rental and all other monetary obligations required herein.

18. Form of Tenant's Insurance Policies. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. TheTenant's liability insurance (i) shall name Landlord, American Assets Trust, Inc. and American Assets Trust, LP. and any other party with an insurable interest in the Project which the Landlord so specifies by written notice to Tenant, as an additional insured, including Landlord's managing agent, American Assets Trust Management, LLC, as such agent may be changed from time to time; (ii) shall cover the liability assumed by Tenant under the indemnification provisions of this Lease; (iii) shall consist of "occurrence" based coverage, without provision for subsequent conversion to "claims" based coverage; (iv) shall be issued by an insurance company having a rating of not less than A XV in Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed or approved or permitted to do business in the State of California; (v) shall be primary insurance as to all Claims thereunder; (vi) be in form and content reasonably acceptable to Landlord; and (vii) shall provide that said insurance shall not be canceled unless thirty (30) days' prior notice shall have been given to Landlord, and (viii) shall not provide for a deductible or co-insurance provision in excess of $10,000.00. Tenant shall deliver said policy or policies or certificates thereof or reasonable evidence that such insurance is in place to Landlord on or before the Commencement Date. In the event Tenant shall fail to procure such insurance, or to deliver such policies or certificate, Landlord may, at its option upon five (5) business days' notice to Tenant, procure such policies for the account of Tenant unless Tenant provides same within such five (5) day period, and the cost thereof shall be paid to Landlord within five (5) days after delivery to Tenant of bills therefore. Tenant shall, at least 30 days prior to the expiration of each such policy, furnish Landlord with a renewal of or "binder" extending such policy. Not more frequently than once every two (2) years, if in the opinion of Landlord the amount or scope of such insurance at that time is not adequate, Tenant shall increase such insurance as reasonably required by Landlord.

19. Waiver of Subrogation. Landlord and Tenant release each other, Tenant's Invitees, and Landlord's guests, invitees, customers and licensees (collectively, "Landlord's Invitees") from all claims for damage, loss, or injury to the Project, to Tenant's Personal Property, and to the fixtures and Alterations of either Landlord or Tenant in or on the Project to the extent such damage, loss or injury is covered by any insurance policies carried by Landlord and Tenant and in force at the time of such damage, or which would have been covered by insurance policies required by this Lease to be carried by Tenant, but which Tenant failed to carry. Subject to the remaining provisions of this Paragraph, Landlord and Tenant shall each cause all insurance policies obtained by it pursuant to this Lease to provide that the insurance company waives all right of recovery by way of subrogation against Landlord and Tenant in connection with any damage, loss, or injury covered by such policy. If any such policy cannot be obtained with a waiver of subrogation, or is obtainable only by the payment of an additional premium charge above that charged by insurance companies issuing policies without waiver of subrogation endorsements, the party undertaking to obtain such policy (the "Undertaking Party") shall so notify the other party (the "Notified Party"). The Notified Party shall, within ten days after the giving of such notice, either obtain such policy from a company that is reasonably satisfactory to the Undertaking Party and that will issue such policy with a waiver of subrogation endorsement, or agree to pay the additional premium if such policy is obtainable at additional cost. If such

policy cannot be obtained with a waiver of subrogation endorsement or the Notified Party refuses to pay such additional premium, then the Undertaking Party shall not be required to obtain a waiver of subrogation endorsement with respect to such policy.

20. Landlord's Insurance. Landlord shall at all times while this Lease is in effect maintain the following insurance, in such amounts and with such limits as Landlord may determine in its reasonable discretion: (i) Public liability and property damage insurance, and products liability insurance; (ii) all risk property insurance insuring the Building. In addition, Landlord may, at its election, maintain any of the following insurance, and any other insurance deemed appropriate or necessary, in Landlord's sole discretion, in such amounts and with such limits as Landlord shall determine in its reasonable discretion: (i) coverage with respect to increased costs due to building ordinances, demolition coverage, and sprinkler leakage coverage; (ii) boiler and machinery insurance; (iii) fidelity insurance; (iv) Plate-glass insurance; (v) earthquake insurance; (vi) terrorism insurance, (vii) flood insurance; and (vii) rental interruption and/or business interruption insurance. The premiums, costs, expenses, and deductibles (or similar costs or charges) of and/or with respect to any such insurance (all of the preceding, collectively, "Insurance Expenses") shall be included in Operating Expenses. Any such coverage may be part of an umbrella or blanket policy, whereupon the premiums, costs, and expenses hereof will be reasonably apportioned between the Building and the other properties so included under such policy(ies).

21. Personal Property Taxes. Tenant shall pay before delinquency all taxes, assessments, license fees, and other charges that are levied or assessed against, or based upon the value of, Tenant's personal property installed or located in or on the Premises including without limitation trade fixtures, furnishings, equipment, Alterations, and inventory (collectively, "Tenant's Personal Property"). On written demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of such payments. If any such taxes, assessments, license fees, and/or other charges are levied against Landlord or Landlord's property, or if the assessed value of the Premises is increased by the inclusion of a value placed on Tenant's Personal Property, and if Landlord pays such taxes, assessments, license fees, and/or other charges or any taxes based on the increased assessments caused by Tenant's Personal Property, then Tenant, on demand, shall immediately reimburse Landlord, as Additional Rent, for the sum of such taxes, assessments, license fees, and/or other charges so levied against Landlord, or the proportion of taxes resulting from such increase in Landlord's assessment. Landlord may, at its election, pay such taxes, assessments, license fees, and/or other charges or such proportion, and receive such reimbursement.

22. Alterations. Tenant shall not make any alterations, improvements, additions, installations, or changes of any nature in or to the Premises (any of the preceding, "Alterations") unless Tenant first obtains Landlord's written consent to such Alteration and otherwise complies with the provisions of this Paragraph 22; provided, however, no such consent will be required in connection with any Minor Alterations (as defined below).

22.1. Request for Consent. At least 15 days prior to making any Alterations, Tenant shall submit to Landlord, in written form, proposed detailed plans of such Alterations, which plans must (i) in the case of a Minor Alterations, be in sufficient detail to, among other things, provide Landlord with reasonable evidence that such Alterations are of a nature that Landlord's consent is not required, and (ii) in the case of any other Alterations, in sufficient detail to allow Landlord and its consultants to fully evaluate the proposed Alterations and their affect upon the Premises and the Project. Landlord will not unreasonably withhold, condition, or delay its consent to any Alterations for which consent is required; except that, in the case of exterior Alterations or Alterations which will be visible from outside the Premises or which will affect any structural components of the Project, Landlord shall have the right to grant or withhold its consent in the exercise of its sole discretion. In addition to the foregoing requirements, if the proposed Alteration requires approval by or notice to the lessor of a ground or underlying lease or the holder of a deed of trust encumbering the Project, no Alteration shall be commenced until such approval has been received, or such notice has been given, as the case may be, and all applicable conditions and provisions of said superior lease or deed of trust with respect to the proposed Alteration or Alterations have been met or complied with at Tenant's expense; and Landlord, if it approves the Alteration, will request such approval or give such notice expeditiously, as the case may be, and thereafter diligently pursue obtaining such approval.

22.2. Minor Alterations. Notwithstanding anything to the contrary contained herein, minor, interior cosmetic Alterations such as painting, wall papering, carpeting or hanging pictures or moving furniture and temporary partitions or cubicles (the aggregate cost of which will not exceed $10,000.00, and which Alterations will not be visible from outside the Premises or affect any structural components of the Project) will not require Landlord's prior consent so long as (i) Tenant notifies Landlord in accordance with Paragraph 22.1 (i), and (ii) Tenant complies with all reasonable conditions which may be imposed by Landlord including, but not limited to, the requirements of Paragraph 22.3 below, Landlord's selection of specific contractors or construction techniques and the requirements of the attached Exhibit "C." Any Alterations meeting the foregoing requirements to avoid the necessity of obtaining Landlord's consent are referred to herein as a "Minor Alterations."

22.3. Additional Requirements. Tenant shall, prior to the commencement of any Alterations, and at Tenant's sole cost, (i) acquire (and deliver to Landlord a copy of) any required permit from the appropriate governmental agencies to make such Alterations (any conditions of which permit Tenant shall comply with, at Tenant's sole cost, in a prompt and expeditious manner), (ii) provide Landlord with ten business days' prior written notice of the date the installation of the such Alterations is to commence, so that Landlord can post and record an appropriate notice of non-responsibility, (iii) pay Landlord the reasonable costs and expenses of Landlord for architectural, engineering, or other consultants which reasonably may be incurred by Landlord in determining whether to approve any such Alterations (excluding Minor Alterations), and (iv) if applicable, obtain (and deliver to Landlord proof of) reasonably adequate workers compensation insurance with respect to any of Tenant's employees installing or involved with such Alterations (which insurance Tenant shall maintain on an occurrence basis in force until completion of the Alterations). In addition, Tenant shall comply with all reasonable conditions which may be imposed by Landlord relative to such Alterations including, but not limited to, (v) Landlord's selection of specific contractors or construction techniques and (2) the requirements of the attached Exhibit "C" applicable to Tenant's Work. Notwithstanding anything to the contrary contained in this Paragraph 22.3, in no event may Tenant remove any ceiling tiles or ceiling gridwork or lighting without Landlord's prior consent, and any such consent may be conditioned upon requiring Tenant to post a deposit to cover the cost of restoring the Premises to their prior condition upon termination of the Term and to secure Tenant's obligation to so restore the Premises.

22.4. Ownership of Alterations. All Alterations shall, upon the Expiration Date of this Lease, become the property of Landlord and shall remain on and be surrendered with the Premises on the Expiration Date; except that, Landlord may, at its election, require Tenant to remove any or all of the Alterations, provided that Landlord notifies Tenant in writing prior to commencement of the Alterations. If Landlord so elects to have the Alterations removed, Tenant shall, at its sole cost, on or before the Expiration Date, repair and restore the Premises to the condition of the Premises prior to the installation of the Alterations which are to be removed. Tenant shall pay all costs for Alterations and other construction done or caused to be done by Tenant and Tenant shall keep the Premises free and clear of all mechanics' and materialmen's liens resulting from or relating to any Alterations or other construction. Tenant may, at its election, contest the correctness or validity of any such lien provided that within 20 days after written demand by Landlord, Tenant procures and records a lien release bond, issued by a corporation satisfactory to Landlord and authorized to issue surety bonds in California, in an amount equal to 125% of the amount of the claim of lien, which bond meets the requirements of California Civil Code Section 8424 or any successor statute.

22.5. Control over Tenant's Wi-Fi Use.

(a) Wi-Fi. Tenant shall have the right to install, at its sole cost and expense, a wireless intranet, Internet, and communications network (also known as "Wi-Fi") utilizing IEEE 802.XX protocols within the Premises for the use of Tenant and its employees (the "Network") subject to the provisions of this Paragraph 22.5 and the other provisions of Paragraph 22. All telecommunications service providers shall be subject to Landlord's prior written approval with Landlord's said approval not to be unreasonably withheld or delayed.

(b) No solicitation. Tenant shall not solicit, suffer, or permit other tenants or occupants of the Building to use the Network or any other communications service, including, without limitation, any wired or wireless Internet service that passes through, is transmitted through, or emanates from the Premises.

(c) Interference. Tenant agrees that the Network, Tenant's communications equipment and the communications equipment of Tenant's service providers located in or about the Premises or installed in the Building to service the Premises including, without limitation, any antennas, switches, or other equipment (collectively, ''Tenant's Communications Equipment") shall be of a type and, if applicable, a frequency that will not cause radio frequency, electromagnetic, or other interference to any other party or any equipment of any other party including, without limitation, Landlord, other tenants, or occupants of the Building, Landlord reserves the right to cause Tenant to operate on a channel or frequency band that Landlord selects. In the event that Tenant's Communications Equipment causes or is believed by Landlord to cause any such interference, upon written receipt of notice from Landlord of such interference, Tenant will promptly take all steps necessary to correct and eliminate the interference. If the interference is not eliminated within 24 hours (or a shorter period if Landlord believes a shorter period to be appropriate) then, upon notice from Landlord, Tenant shall use other channels or frequencies as determined solely by Landlord, or, at Landlord's election, shut down the Tenant's Communications Equipment pending resolution of the interference (with the exception of intermittent testing upon prior notice to, and with the prior approval of, Landlord). Landlord shall have no obligation or liability with respect to any interruption, curtailment or discontinuance of telecommunications services.

(d) Maintenance. Tenant shall maintain Tenant's Telecommunications Equipment in good order and repair at its sole cost and expense.

(e) Acknowledgment. Tenant acknowledges that Landlord has granted and/or may grant lease rights, licenses, and other rights to other tenants and/or occupants of the Building and to telecommunications service providers.

23. Surrender of Premises and Holding Over.

23.1. Surrender. On the Expiration Date, Tenant shall surrender to Landlord the Premises and all Alterations (except for Alterations that Tenant is obligated to remove as expressly set forth above) in a first class and clean condition, less any normal wear and tear, free of trash and debris including cleaning of all flooring; all walls shall be patched and painted; all signage installed by Tenant on any portion of the Buildings or Project shall be removed and the surfaces repaired, including restoration of the signage mounting surfaces to their pre-existing condition; all sign circuits, electrical circuits, and lighting fixtures shall be in good operating condition; all roof penetrations arising from Tenant's occupancy of the Premises shall be in a watertight condition; and all doors, windows, locks, and hardware shall be in operable condition upon the termination of this Lease. Tenant shall additionally, as of the Expiration Date, remove all of Tenant's Personal Property and perform all repairs and restoration required by the removal of any Alterations or Tenant's Personal Property, and Tenant shall surrender to Landlord all keys to the Premises (including without limitation any keys to any exterior or interior doors). Landlord may elect to retain or dispose of in any manner any Alterations or Tenant's Personal Property that Tenant does not remove from the Premises on the Expiration Date as required by this Lease by giving written notice to Tenant. Any such Alterations or Tenant's Personal Property that Landlord elects to retain or dispose of shall immediately upon notice to Tenant vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such Alterations or Tenant's Personal Property. Tenant will be liable to Landlord for Landlord's costs for storing, removing (including related restoration work), or disposing of any such Alterations or Tenant's Personal Property. If Tenant fails to surrender the Premises to Landlord on the Expiration Date in the condition required by this Paragraph, Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims resulting from such failure, including without limitation any claim for damages made by a succeeding tenant.

23.2. Holding Over. If Tenant, with Landlord's consent, remains in possession of the Premises after the Expiration Date, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on 30-days' written notice given at any time by Landlord or Tenant. During any such month-to-month tenancy, or any other holdover tenancy which is without Landlord's consent, Tenant shall pay, as Basic Monthly Rent, 150% of the Basic Monthly Rent in effect immediately prior to the Expiration Date; which rental amount Tenant acknowledges is fair and reasonable under all of the facts and circumstances existing as of the date of this Lease. All provisions of this Lease except for those pertaining to Term shall apply to any such tenancy. Acceptance by Landlord of rent after such expiration or earlier termination shall not constitute consent to a holdover tenancy hereunder or result in a renewal. The foregoing provisions this Paragraph 23.2 are in addition to, and do not affect, Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise provided by law. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon expiration or other termination of this Lease. The provisions of this Paragraph 23.2 shall not be considered to limit or constitute a waiver of any other rights or remedies of Landlord provided in this Lease or at law.

24. Default. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant (each an "Event of Default"):

24.1. The abandonment (as defined in the California Civil Code 1951.3) of the Premises by Tenant.

24.2. Tenant's failure to make any payment of Rent (including late charges) as and when due. No grace period prior to the imposition of a late charge pursuant to Paragraph 26 below, shall extend the date when such Rent is due and payable, and Tenant shall be in default under this Lease if such payment is not timely made. In the case of Basic Monthly Rent, payments must be received on or before the first day of each calendar month, and Tenant shall be in default if such Rent is not paid by such date.

24.3. Tenant's failure to timely deliver an estoppel certificate to Landlord in accordance with the provisions of Paragraph 41, below, or a subordination, non-disturbance, and attornment agreement in accordance with Paragraph 40, below.

24.4. Tenant's failure to observe or perform any of the provisions of this Lease to be observed or performed by Tenant, other than described in the preceding three paragraphs, where such failure shall continue for a period of ten days after written notice of such failure from Landlord to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under applicable unlawful detainer statutes; and provided further, that if the nature of Tenant's default is such that more than ten days are reasonably required for its cure, then Tenant shall not be deemed

to be in default if Tenant commenced such cure within such ten day period and thereafter diligently prosecutes such cure to completion within 60 days after Landlord's written notice. Such written notice will be deemed to satisfy the statutory notice requirements of applicable unlawful detainer statutes and will be in lieu thereof (and not in addition thereto).

24.5. Intentionally Deleted.

24.6. Tenant's failure to deliver to Landlord, within ten days after Landlord's written request but not more than once per calendar year, any financial statement of Tenant (including without limitation a current annual balance sheet of Tenant) reasonably requested by Landlord, or if any financial statement given to Landlord by Tenant, or by any assignee, subtenant, or guarantor of Tenant, is materially false or evidences that Tenant's net worth is negative, and Tenant fails to furnish to Landlord, within ten days after written notice from Landlord to Tenant, with cash as an additional security deposit in an amount equal to the aggregate Rental payable under this Lease for the six full calendar months immediately following such notice.

24.7. The making by Tenant of any general arrangement or assignment for the benefit of creditors; Tenant's becoming bankrupt, insolvent or a "debtor" as defined in 11 U.S.C. Section 101, or any successor statute (unless, in the case of a petition filed against Tenant, such petition is dismissed within 60 days after its original filing); the institution of proceedings under the bankruptcy or similar laws in which Tenant is the debtor or bankrupt; the appointing of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenants interest in this Lease (unless possession is restored to Tenant within 60 days after such taking); the attachment, execution, or judicial seizure of substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease (unless such attachment, execution, or judicial seizure is discharged within 60 days after such attachment, execution, or judicial seizure); or, if Tenant is a partnership or consists of more than one person or entity, any partners of the partnership or any such other person or entity becoming bankrupt or insolvent or making a general arrangement or assignment for the benefit of creditors.

24.8. Notwithstanding the foregoing, if (i) Tenant commits two similar defaults during any 12-month period or less, (ii) Tenant receives notices of default on each separate occasion, and (iii) each such default could have been cured within a 24-hour period from the date Tenant received notice of such default, then, as to any further, similar default that thereafter occurs during the same 12-month period. Landlord may treat such default as an Event of Default and exercise its remedies under Paragraph 26, below, without giving Tenant any further notice of default or opportunity to cure.

25. Landlord's Remedies. Landlord shall have the following remedies if Tenant commits an Event of Default under this Lease. These remedies are not exclusive, but are cumulative and in addition to any remedies provided elsewhere in this Lease or now or later allowed by law.

25.1. Continuation of Lease. No act by Landlord shall terminate Tenant's right to possession unless Landlord notifies Tenant in writing that Landlord elects to terminate Tenant's right to possession. As long as Landlord does not terminate Tenant's right to possession, Landlord may (i) continue this Lease in effect, (ii) continue to collect Rent when due and enforce all the other provisions of this Lease, and (iii) enter the Premises and relet them, or any part of them, to third parties for Tenant's account, for a period shorter or longer than the remaining Term of this Lease. Tenant shall immediately pay to Landlord all costs Landlord incurs in such reletting, including, brokers' commissions, attorneys' fees, advertising costs, and expenses of remodeling the Premises for such reletting. The parties agree that Landlord is to have the remedy described in California Civil Code Section 1951.4 (which effectively provides that a lessor may continue a lease in effect after the lessee's breach and recover rent as it becomes due), and the Tenant hereby acknowledges that this Lease meets the requirements of such statutory provision and that Tenant's rights to sublet or assign hereunder are subject only to reasonable limitations.

25.2. Rent from Reletting. If Landlord elects to relet all or any portion of the Premises as permitted above, rent that Landlord receives from such reletting shall be applied to the payment of, in the following order and priority, (i) any indebtedness from Tenant to Landlord other than Rent due from Tenant, (ii) all costs incurred by Landlord in such reletting, and (iii) Rent due and unpaid under this Lease. After applying such payments as referred to above, any sum remaining from the rent Landlord receives from such reletting shall be held by Landlord and applied in payment of future Rent as it becomes due under this Lease. In no event shall Tenant be entitled to any excess rent received by Landlord unless and until all obligations of Tenant under this Lease, including all future obligations, are satisfied in full.

25.3. Termination of Tenant's Right to Possession. Landlord may terminate Tenant's right to possession of the Premises at any time, by notifying Tenant in writing that Landlord elects to terminate Tenant's right to possession. Such written notice will result in the immediate termination of this Lease upon the date such right of possession is terminated. Upon termination of this Lease, Landlord has the right to recover from Tenant (i) the worth at the time of the award of the

unpaid Rent which had been earned at the time of such termination, (ii) the worth at the time of the award of the amount by which the unpaid Rent which would have been earned after such termination until the time of award exceeds the amount of such loss of Rent that Tenant proves could have been reasonably avoided, (iii) the worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award (had there been no such termination) exceeds the amount of such loss of Rent that Tenant proves could be reasonably avoided, and (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or in the ordinary course of things would be likely to result therefrom. The "worth at the time of the award" of the amounts referred to in clauses (i) and (ii) above is to be computed by allowing interest at the Default Rate. The "worth at the time of the award" of the amount referred to in clause (iii) above is to be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent.

25.4. Landlord's Right to Cure Default. Landlord, at any time after Tenant commits an Event of Default, may cure such Event of Default at Tenant's sole cost. If Landlord at any time, by reason of Tenant's default or breach, pays any sum or does any act that requires the payment of any sum, such sum shall be due immediately from Tenant to Landlord at the time such sum is paid, along with a supervisory fee in the amount of ten percent of such amount so expended by Landlord, and shall be deemed Additional Rent under this Lease. If Tenant fails to timely pay any amount due under this Paragraph within ten business days of receipt of Landlord's invoice for such costs, then (without curing such default) interest at the Default Rate shall accrue (and be immediately payable) on such overdue amount until it is paid.

25.5. Enforcement Costs. All costs and expenses incurred by Landlord in connection with collecting any amounts and damages owing by Tenant pursuant to the provisions of this Lease, or to enforce any provision of this Lease, including reasonable attorneys' fees, whether or not any action is commenced by Landlord, shall be paid by Tenant to Landlord upon demand. If Tenant fails to timely pay any amount due under this Paragraph, then (without curing such default) interest at the Default Rate shall accrue (and be immediately payable) on such overdue amounts until it is paid.

26. Interest and Late Charges. Late payment by Tenant to Landlord of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be impracticable or extremely difficult to fix. Such costs include, processing, collection and accounting charges, and late charges that may be imposed on Landlord by the terms of any deed of trust covering the Premises. Therefore, if any Rent (in the form of good funds) is not received by Landlord within ten days of its due date, then, without any requirement for notice to Tenant, Tenant shall owe and pay to Landlord an additional sum of ten percent of such overdue amount as a late charge. Such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any late payment by Tenant, and therefore this Paragraph is reasonable under the circumstances existing at the time this Lease is made. Acceptance of such late charge by Landlord shall not constitute a waiver or cure of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease. In addition to the late charge payable by Tenant, as provided above, if any such Rent is not paid within 30 days of the date such Rent was due, then Tenant shall pay to Landlord interest on such overdue Rent (from such 30th day until all amounts, including interest, are paid in full) at the rate of seven percent above the "reference rate" announced from time to time by Bank of America, NT&SA (the "Default Rate"). If such reference rate ceases to be announced, then a comparable "prime rate" shall be utilized, as selected by Landlord.

27. Landlord Default – Tenant's Remedies. If Landlord fails to cure a default by Landlord within any applicable cure period (or if no cure period is specified, then within 30 days of written notice from Tenant setting forth the nature of the claimed default; provided, however, if the nature of the cure of such default will reasonably require more than 30 days to complete and Landlord is proceeding with due diligence to remedy such matter, then such 30 day period will be extended for such additional time as may be necessary for Landlord to complete such cure), Tenant may, as Tenant's sole remedy, remedy such default, whereupon Landlord shall reimburse Tenant for the reasonable third-party costs incurred by Tenant to remedy such default within 30 days after receipt of Tenant's written demand therefor, together with copies of the paid invoices evidencing the costs so incurred. In no event will Tenant have any right to offset any amount owed by Landlord (regardless of whether Landlord is in default hereunder) against Tenant's monetary obligations under this Lease).

28. Intentionally Deleted

29. Destruction. If the Building is totally or partially destroyed during the Term, rendering the Premises totally or partially inaccessible or unusable, then, subject to the remainder of this Paragraph, (i) Landlord shall promptly commence work necessary to restore the Building to substantially the same condition as it was in immediately before such destruction and shall diligently prosecute such restoration work until completed, (ii) Landlord shall not be required to

restore Tenant's Alterations or Tenant's Personal Property, unless they are an integral part of the Premises and they are specifically covered by insurance proceeds received by Landlord, such excluded items being the sole responsibility of Tenant to restore, (iii) such destruction shall not terminate this Lease (except as provided below), and (iv) all obligations of Tenant under this Lease shall remain in effect, except that the Basic Monthly Rent and Additional Rent shall be abated or reduced, between the date of such destruction and the date of Substantial Completion of restoration, by the ratio of (a) the Rentable Square Footage of the Premises rendered unusable or inaccessible by the destruction, to (b) the Rentable Square Footage of the Premises prior to such destruction. (The term "Substantial Completion" as used herein will mean completed to such an extent that the Premises may be used by Tenant for the Permitted Use, subject only to punchlist or correction items, and the restoration can be finally completed within 60 days and without material interference to Tenant's occupancy and use of the Premises.) Notwithstanding anything to the contrary in this Paragraph, either party shall have ten business days from the date of Landlord's determination that this sentence applies to the subject destruction/reconstruction, in which to terminate this Lease if Landlord determines that (1) it will likely take more than either (A) 330 days following the date of such casualty, or (B) 270 days from obtaining all required permits for such reconstruction, in which to complete such work, (2) such destruction (which is not de minimus in nature) occurs during the last year of the Term, or (3) then-existing laws do not permit such restoration. Additionally, Landlord may, at its election, terminate this Lease by so notifying Tenant in writing on or before the later of 60 days after such destruction or 30 days after Landlord's receipt of the proceeds (or written notice of the amount of proceeds) from insurance maintained by Landlord, if (I) such destruction exceeds 20% of the then-replacement value of the Premises, the Building, or the Project, or (II) Landlord reasonably determines that the cost of such restoration will exceed the amount of insurance proceeds relating to such destruction actually received by Landlord from insurance maintained by Landlord, excluding deductibles, by more than five percent of such cost of restoration. If Landlord or Tenant so terminates this Lease, then (x) Landlord shall have no obligation to restore the Project , (y) Landlord shall retain all insurance proceeds under Landlord's maintained policies relating to such destruction, and (z) this Lease shall terminate as of 30 days after such notice of termination from Landlord to Tenant. Tenant hereby waives the provisions of California Civil Code Sections 1932(2) and 1933(4) or any successor statute with respect to any destruction of the Premises. If Landlord restores the Premises following any such destruction, Tenant shall immediately refixturize, re-equip, and (if applicable) restock the Premises and shall re-open the Premises for business as soon thereafter as is reasonably practicable. If Tenant does not intend to so reopen the Premises for business, it must notify Landlord in writing within 20 business days of such damage or destruction, whereupon Landlord may cease its repair work and terminate this Lease. Additionally, if Landlord fails to Substantially Complete such restoration work within two hundred seventy (270) days, Tenant may, by 30 days' written notice to Landlord delivered after such year (during which period of time such restoration is not Substantially Completed), terminate this Lease.

30. Condemnation. If during the Term, or during the period of time between the execution of this Lease and the Lease Commencement Date, there is any taking of all or any part of the Premises or any interest in this Lease by the exercise of any governmental power, whether by legal proceedings or otherwise, by any public or quasi-public authority, or private corporation or individual, having the power of condemnation (any of the preceding a "Condemnor"), or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending (any of the preceding, a "Condemnation"), the rights and obligations of Landlord and Tenant shall be determined pursuant to this Paragraph. If such Condemnation is of the entire Premises, then this Lease shall terminate on the date the Condemnor takes possession of the Premises (the "Date of Condemnation"). If such Condemnation is of any portion, but not all, of the Premises, then this Lease shall remain in effect, except that, if the remaining portion of the Premises is rendered unsuitable for Tenant's continued use of the Premises as conducted prior to Condemnation, then Tenant may elect to terminate this Lease, by so notifying Landlord in writing (the "Termination Notice") within 30 days after the date that the nature and extent of the Condemnation have been determined. Such termination shall be effective on the earlier of (i) the date that is 30 days after the giving of the Termination Notice, or (ii) the Date of Condemnation. If Tenant does not give to Landlord the Termination Notice within such 30-day period, then all obligations of Tenant under this Lease shall remain in effect, except that (unless the Premises are restored as set forth below) Basic Monthly Rent and Tenant's Share of Operating Expenses shall be reduced by the ratio of (a) the Rentable Square Footage of the Premises taken to (b) the Rentable Square Footage of the Premises immediately prior to the Date of Condemnation. Notwithstanding anything to the contrary in this Paragraph, if, within 30 days after Landlord's receipt of the Termination Notice, Landlord notifies Tenant that Landlord at its cost will add to the remaining Premises (or substitute for the Premises other comparable space in the Project) so that the Rentable Square Footage of the Premises will be substantially the same after the Condemnation as they were before the Condemnation, and Landlord commences the restoration promptly and completes it within 150 days after Landlord so notifies Tenant, then all obligations of Tenant under this Lease shall remain in effect, except that Basic Monthly Rent and Additional Rent shall be abated or reduced during the period from the Date of Condemnation until the completion of such restoration by the ratio of (A) the Rentable Square Footage of the Premises taken to (B) the Rentable Square Footage of the Premises immediately prior to the Date of Condemnation. Unless Landlord restores the Premises pursuant to the preceding sentence, or unless Tenant gives to Landlord the Termination Notice within the relevant 30-day period, Tenant at its sole cost shall accomplish any restoration

required by Tenant to use the Premises. A temporary Condemnation of the Premises, or any part of the Premises, for less than 180 days, shall not constitute a Condemnation under this Paragraph; but the Basic Monthly Rent and Tenant's Share of Operating Expenses shall abate as to the portion of the Premises affected during such temporary Condemnation, including any portion of the Premises rendered unsuitable for Tenant's continued use as conducted prior to the Condemnation. All compensation, sums, or anything of value awarded, paid, or received on a total or partial Condemnation (the "Award") shall belong to and be paid to Landlord. Tenant shall have no right to any part of the Award, and Tenant hereby assigns to Landlord all of Tenant's right, title, and interest in and to any part of the Award, except that Tenant shall receive from the Award any sum paid expressly to Tenant from the Condemnor for Tenant's Personal Property or for severance damages. Landlord and Tenant waive the provisions of any statute (including without limitation California Code of Civil Procedure Section 1265.130 or any successor statute) that allows Landlord or Tenant to petition the superior court (or any other court) to terminate this Lease in the event of a partial Condemnation of the Premises.

31. Assignment and Other Transfers.

31.1. Restriction on Transfer. Without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed and except as permitted by Paragraph 31.3, below, none of the following shall occur (nor be permitted by Tenant to occur), voluntarily, involuntarily, by operation of law, or otherwise (any of the following, a ''Transfer''): (i) any assignment, sublease, disposition, sale, concession, license, license agreement for the use of any portion of the Premises, mortgage, encumbrance, hypothecation, pledge, collateral assignment, or other transfer, by Tenant of this Lease, any interest in this Lease, or all or any portion of the Premises; or (ii) any assignment, disposition, sale, transfer, acquisition, or issuance of equitable interests (whether stock, partnership or otherwise) in Tenant, to or by any person, entity, or group of related persons or affiliated entities, whether in a Single transaction or in a series of related or unrelated transactions, which results in such person, entity, or group holding (or assigning, transferring, disposing of, or selling) 50% or more of the aggregate issued and outstanding equitable interests in Tenant.

31.2. Transfer Provisions Generally.

31.2.1. Landlord shall not be liable in damages to Tenant or to any proposed subtenant, assignee or other transferee (any of the preceding a "Proposed Transferee") if such consent is adjudicated to have been unreasonably withheld, and, in such event, Tenant's sole remedy shall be to have the proposed Transfer declared as valid as if Landlord's consent had been given, although Tenant shall be entitled to reasonable attorney's fees if Tenant is the prevailing party in such litigation. At least 30 days prior to entering into any proposed Transfer, Tenant shall submit to Landlord the sum of $500.00 (as payment toward Landlord's and Landlord's attorneys' cost of reviewing, consenting to, rejecting and/or consummating any proposed Transfer), and a written notice (''Tenant's Notice") which includes (i) a fully executed copy of the instrument of transfer (i.e., the sublease or assignment) relating to the proposed Transfer, along with all related agreements, documents, instruments, exhibits, and escrow instructions, (ii) the name and address of the Proposed Transferee, (iii) an abstract of the terms and conditions of the proposed Transfer, including without limitation the economics of such Proposed Transfer and the commencement or effective date of the proposed Transfer, which shall be at least 30 days after Tenant's Notice is given, and (iv) the nature, character, and current banking, financial, and other credit information and references with respect to the Proposed Transferee and the business of the Proposed Transferee (including without limitation tax returns for the three most-recent years, a business plan with cash-flow projections and financial projections with assumptions and competitive market analysis), in reasonably sufficient detail to enable Landlord to determine the Proposed Transferee's financial responsibility.

31.2.2. Within 30 days after Landlord's receipt from Tenant of such sum and Tenant's Notice, and all documentation requested of Tenant by Landlord, Landlord shall notify Tenant whether Landlord has consented to the proposed Transfer. Any consent by Landlord to any proposed Transfer shall not constitute a consent with respect to any other Transfer. If Landlord consents to any proposed Transfer, and Tenant fails to consummate such Transfer within 30 days of the commencement or effective date of the proposed Transfer (as set forth in Tenant's Notice) or, if Tenant's Notice fails to identify such a date, then within 150 days of the Tenant's Notice, then such consent shall be deemed withdrawn and Tenant shall be required again to comply with this Paragraph before making a Transfer. Landlord shall not have unreasonably withheld its consent with respect to any Transfer if (among other things) Landlord shall not have received such sum or Tenant's Notice, if the nature or character of the Proposed Transferee is not in keeping with the dignity and character of the Building and the surrounding area, if the Proposed Transferee's proposed use is materially and adversely different than the Permitted Use or Tenant's prior use, if the proposed Transfer will result in the diminution of the value or marketability of the Building or the Project, if Landlord is not reasonably satisfied that the Proposed Transferee is creditworthy, or if the proposed Transfer will conflict with or result in a breach of any of the provisions of, or constitute a default under, any agreement, instrument, or document to which Landlord is a party or by which the Project may be bound. No Transfer shall release or discharge Tenant from any liability, whether past, present, or future, under this Lease and Tenant shall continue to remain directly and primarily liable under this Lease (and not as a mere surety);

provided, however, as a condition to granting consent to any assignment (or like Transfer) Landlord may require the assigning Tenant to execute a guaranty on Landlord's standard form—which guaranty shall serve to release such assigning Tenant from direct liability hereunder and such assigning Tenant will then only have liability for matters first accruing under this Lease thereafter pursuant to such guaranty. Tenant irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent and other amounts generated from any Transfer, and Landlord, as assignee and as special attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and other amounts and apply them toward Tenant's obligations under this Lease; except that, unless a default occurs under this Lease, Tenant shall have the right to collect such rent and other amounts.

31.2.3 Unless otherwise agreed to by all parties, the Tenant's Security Deposit (if any) shall be retained by Landlord and returned to the lawful tenant in possession of the Premises at the time of the Lease termination, subject to the terms and conditions of Paragraph 6 of this Lease. Any Transfer documentation shall contain the following provisions, which provisions whether contained in such Transfer documentation or not, shall apply to such Transfer: (a) Such Transfer shall be subject and subordinate to, and bound by, all provisions of this Lease; (b) No Proposed Transferee shall be permitted to enter into any Transfer without Landlord's prior written consent; and (c) At Landlord's option, in the event of cancellation or termination of this Lease for any reason or the surrender of this Lease, whether voluntarily, involuntarily, by operation of law or otherwise, prior to the expiration of such Transfer, the Proposed Transferee shall make full and complete attornment to Landlord for the balance of the term of such Transfer. Such attornment shall be evidenced by an agreement in form and substance reasonably satisfactory to Landlord that the Proposed Transferee shall execute and deliver to Landlord within five days after request by Landlord.

31.2.4. Tenant shall promptly reimburse Landlord for Landlord's reasonable cost (less the $500.00 previously paid) of reviewing, consenting to, rejecting and/or consummating any proposed Transfer, including without limitation reasonable attorneys' fees and costs/fees of Landlord's Lender in connection therewith. If Tenant fails to pay such amount within twenty business days of written demand, Tenant shall be in default hereunder and Landlord shall have the right, in addition to its other rights and remedies under this Lease, to revoke its prior approval of the proposed Transfer if such Proposed Transferee has not yet taken over possession of the Premises.

31.3. Excess Rent and Recapture. Tenant shall promptly pay to Landlord, as and when received, 50% of all rents and other consideration after all of Tenant's reasonable third-party expenses incurred in connection with such Transfer are deducted, of whatever nature, payable by the Proposed Transferee (or receivable by Tenant) pursuant to or as a result of any Transfer, which exceed (i) in the case of a sublease of a portion of the Premises, the portion of the Basic Monthly Rent that is allocable to the portion of the Premises subleased (such allocation based on the Rentable Square Footage of the portion subleased), or (ii) in the case of any other Transfer, the Basic Monthly Rent. Landlord additionally has the right, in the event Tenant indicates in the Tenant's Notice that it desires to assign this Lease or sublet greater than 50% of the Premises, at its election, by giving written notice (the "Recapture Notice") to Tenant within 15 days after receipt of Tenant's Notice, to recapture the Premises and terminate this Lease. If Landlord elects to exercise such right and delivers a Recapture Notice to Tenant, this Lease shall automatically be deemed terminated as of the commencement or effective date stated in Tenant's Notice for the proposed Transfer, and Tenant shall surrender possession of the Premises as of such date (and any failure to do so shall constitute a default hereunder); provided that, Tenant may in a written notice given within 15 days after receipt of the Recapture Notice withdraw the Tenant's Notice, which shall thereafter be deemed of no force or effect.. Landlord's giving of a Recapture Notice shall not constitute Landlord's consent to Tenant's proposed Transfer.

31.4. Permitted Transferee. Notwithstanding anything to the contrary contained in Paragraphs 31.1 or 31.3, above, no consent of Landlord will be required for, and no amounts will be payable to Landlord in connection with, any assignment or subletting to any of the following (any of which will constitute a "Permitted Transferee"):

31.4.1. Any parent, wholly-owned subsidiary, or other company of which Tenant owns all or substantially all of the voting and beneficial interests, or which company owns all or substantially all of the voting and beneficial interests in Tenant, and which parent, subsidiary, or other company has a net worth (determined in accordance with GAAP) equal to or greater than Tenant's net worth as of the day before such transaction or as of the Lease Commencement Date, whichever is less;

31.4.2. Any surviving or successor entity resulting from a merger, consolidation, or sale of substantially all of the assets of Tenant, where the net worth of the resulting or acquiring company exceeds (as determined in accordance with GAAP), the net worth of the Tenant as of the day prior to such transaction or as of the Lease Commencement Date, whichever is less; or

31.4.3. Any sale of stock as part of a "public offering" on one of the nationally recognized securities exchanges (such as, without limitation, NYSE or NASDAQ).

Notwithstanding the foregoing, and as a condition precedent to the effectiveness of any such Transfer to a Permitted Transferee under Sections 31.4.1 or 31.4.2, at least 20 days prior to any proposed Transfer to a Permitted Transferee, Tenant shall notify Landlord in writing of its intention to undertake such a Transfer and provide Landlord with sufficient information to confirm that such entity will in fact be a Permitted Transferee and the assigning Tenant shall execute Landlord's form guaranty—which guaranty shall serve to release such assigning Tenant from direct liability hereunder and such assigning Tenant will then only have liability for matters first accruing under this Lease thereafter pursuant to such guaranty (it being understood that if such assigning Tenant fails to execute such a Guaranty, then such assignment shall constitute an Event of Default, such Transfer will be void, and such assigning Tenant shall remain primarily liable hereunder). Landlord shall keep all such information confidential. Other than the right to engage in such a Transfer to a Permitted Transferee without Landlord's consent, all other provisions of Paragraph 31.2 shall apply to such a Transfer under Sections 31.4.1 or 31.4.2.

32. Landlord's Reserved Rights.

32.1. General Rights Reserved. In addition to the specific reserved rights identified in Paragraph 32.2, below, Landlord, as owner of the Project, in addition to Landlord's other rights, reserves the right from time to time: (i) to temporarily utilize portions of the Common Areas for, among other things, entertainment, outdoor shows, displays, automobile and other product shows, the leasing of kiosks, or such other uses which, in Landlord's reasonable judgment, are appropriate; (ii) to utilize the lighting standards and other areas or improvements in the Common Areas for advertising, notice purposes, or other reasonable purposes; (iii) to close any of the Common Areas to the extent required in the opinion of Landlord's legal counsel to prevent a dedication of any of the Common Areas or the accrual of any rights to any person or to the public in and to any portion of the Common Areas; (iv) to close, temporarily, any of the Common Areas for maintenance purposes; (v) to designate other property outside the boundaries of the Project to become part of the Common Areas; (vi) to close off or otherwise utilize portions of the Common Areas while constructing improvements or making repairs or alterations to any portion of the Project; (vii) to utilize portions of the Common Areas, on a temporary basis, as a staging area for any construction work by Landlord or its affiliates, agents, tenants, or contractors; and (viii) to make any changes to the Common Areas, or any part of the Project, including without limitation changes to buildings or other improvements, the addition of new buildings or other improvements, and/or changes in (among other things) the location of driveways, entrances, exits, vehicular parking spaces, or the direction of the flow of traffic. In exercising such rights, Landlord agrees that (1) it will not materially adversely interfere with Tenant's use of the Premises and further agrees to use commercially reasonable efforts to minimize any lesser interference with Tenant's use of the Premises caused by the exercise of such rights; and (ii) in the event Landlord elects to close or restrict access to a material portion of the parking area pursuant to the rights reserved under this Paragraph 32.1, Landlord will provide substitute unreserved parking at no cost to Tenant.

32.2. Future Construction. Tenant acknowledges that, as more particularly provided below, the development of the Project is continuing and may, at Landlord's election, include the construction of additional buildings and improvements within the Project, including in areas which currently constitute Common Areas. Tenant is entering into this Lease with a full understanding of the possible ramifications/effects of such future development work on its tenancy and the rental charged hereunder takes such factors into account. Tenant further acknowledges and agrees that Landlord may, from time to time, at its sole election, construct (including, without limitation, additional buildings), reconstruct (including without limitation the replacement of certain improvements with other improvements), improve (including tenant improvements), modify, expand, or otherwise alter the Project (collectively, "Construction Work"), or portions thereof (in no event however will Landlord have any obligation to do so). Tenant acknowledges that any such Construction Work will necessarily involve, among other things, the generation of noise, dust, and vibrations, barricading portions of the Project and the placement of scaffolding within the Project, demolition, structural alterations, storage of materials and equipment within the Project, and the presence of workmen within the Project, all of which may require the rearrangement of the Common Areas, including, without limitation, landscaping, parking areas (which may include the provision of temporary parking areas during periods of construction), roadways, lighting facilities, and the re-direction of vehicular and pedestrian traffic. Further, Landlord hereby reserves such licenses and easements in, on, above or below the Premises as may be reasonably required (i) for the installation, inspection, surveying, maintenance, or construction of mains, conduits, shafts, columns, footings, piers, pipes or other facilities to serve any building within the Project, or (ii) for any Construction Work; provided, however, Landlord will use its good faith efforts to minimize any unreasonable interference with Tenant's use, occupancy, or enjoyment of the Premises as contemplated by this Lease. Except as provided below, Tenant waives any and all claims, defenses, rights of offset, or deductions based upon any inconvenience suffered by Tenant or any interruption of or interference with Tenant's business including, without limitation, any loss of business, damage to property, loss of electronic information, or inconvenience to Tenant or Tenant's Invitees as a result of or relating to such

Construction Work. Landlord hereby reserves for itself and its agents, employees, licensees and contractors, the right to enter the Premises to the extent reasonably necessary to pursue such Construction Work upon 24 hours' prior notice to Tenant. The exercise of any of Landlord's rights pursuant to this Paragraph will not entitle Tenant to any abatement of Rent or other claim, right of offset, or defense against Landlord, except that (a) Tenant shall have the right (subject to the provisions of Paragraph 19) to bring an action against Landlord (as Tenant's sole remedy) in the event Tenant suffers any damages as a result of Landlord's gross negligence or intentional misconduct in pursuing such Construction Work, and (b) if such Construction Work results in Tenant being unable to access the Premises, or portions thereof, for the Permitted Use for a period of greater than five business days, Tenant shall be entitled to equitable abatement of the Rent for such period of time during which it is unable to access the Premises. Tenant further acknowledges that expansion of the Project may affect the amount of the Lease Expenses and the portion thereof payable by Tenant. . In exercising such rights, Landlord agrees that (1) it will not materially adversely interfere with Tenant's use of the Premises and further agrees to use commercially reasonable efforts to minimize any lesser interference with Tenant's use of the Premises caused by the exercise of such rights; (ii) subject to Paragraph 11, Landlord will not materially adversely interfere with Tenant's parking rights; and (iii) in the event Landlord elects to close or restrict access to a material portion of the parking area pursuant to the rights reserved under this Paragraph 32.1, Landlord will provide substitute unreserved parking at no cost to Tenant.

32.3. Intentionally Deleted.

33. Easements. Landlord may, at its election, from time to time, grant such easements, rights and dedications, and cause the recordation of parcel maps, easement and operating agreements, and restrictions affecting the Premises and the Project, provided that no such acts materially and adversely affect Tenant's rights of ingress or egress to the Building and the Premises or Tenant's right to use the Premises. Tenant shall promptly sign any documents or instruments to accomplish the foregoing upon request by Landlord. Tenant irrevocably appoints Landlord as Tenant's special attorney-in-fact to execute and deliver such documents or instruments on behalf of Tenant if Tenant refuses or fails to do so within ten days of written request.

34. Access by Landlord. Landlord and any of Landlord's Invitees shall have the right to enter the Premises at all reasonable times, during normal business hours if feasible under the circumstances, and upon 24 hours' notice, if feasible under the circumstances, (i) to determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease, (ii) to do any necessary maintenance or make any restoration to the Premises that Landlord has the right or obligation to perform, (iii) to serve, post, or keep posted any notices required or allowed under this Lease, (v) to post "for sale" or "for rent" or "for lease" signs during the final nine months of the Term, (vi) to show the Premises to brokers, lenders, agents, prospective buyers, prospective tenants, or other persons interested in a listing of, financing, purchasing, or occupying the Project, the Premises or any portion of the Project or the Premises, and (vii) to shore the foundations, footings, and walls of the Project, and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street. In the event of an emergency Landlord shall have the right to enter the Premises at any time, without prior notice to Tenant. Landlord's rights under this Paragraph extend, with Landlord's consent, to the owner of adjacent property on which excavation or construction is to take place and the adjacent property owner's agents, employees, officers, and contractors. Landlord shall not be liable for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of any entry on the Premises as provided in this Paragraph except damage resulting directly from the grossly negligent acts or willful misconduct of Landlord or Landlord's Invitees. Tenant shall not be entitled to any abatement or reduction of Basic Monthly Rent or other Rent because of the exercise by Landlord of any rights under this Paragraph.

35. Indemnity. Tenant hereby agrees to indemnify, defend, protect, and hold harmless Landlord and its shareholders, officers, directors, agents, property managers, employees, contractors, and the partners comprising Landlord (if any) from and against all Claims (as defined below) and all costs, expenses, and attorneys' fees incurred in the defense or handling of any such Claims or any action or proceeding brought on any of such Claims. For purposes of this Lease, the term "Claims" shall mean all liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they result from Landlord's negligent acts or willful misconduct) arising from or which seek to impose liability under or because of (i) Tenant's or Tenant's Invitees' use of the Premises, (ii) the conduct of Tenant's business, (iii) any activity, work, or things done, permitted, or suffered by Tenant or any of Tenant's Invitees in or about the Premises or elsewhere, (iv) any breach or default in the performance of any obligation to be performed by Tenant under this Lease, and/or (v) any negligence of Tenant or any of Tenant's Invitees. If any action or proceeding is brought against Landlord or its shareholders, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) by reason of any such Claims, Tenant upon notice from Landlord shall defend such action or proceeding at Tenant's sole cost by legal counsel satisfactory to Landlord.

36. Exemption of Landlord from Liability. Except to the extent caused by Landlord's grossly negligent acts or willful misconduct, Tenant assumes all risk of, Tenant waives all claims against Landlord in respect of, and Landlord shall not be liable for, any of the matters set forth in the preceding Paragraph or any of the following: injury to Tenant's business, loss of income from such business, or damage or injury to the goods, wares, merchandise, or other property or the person of Tenant, Tenant's Invitees, or any other persons in, upon, or about the Premises, whether such damage, loss, or injury is caused by or results from criminal acts, fire, steam, electricity, gas, water, rain, the breakage, leakage, obstruction or other defects of pipes, sewer lines, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, or any other cause, conditions arising upon the Premises, or other sources or places, and regardless of whether the cause of such damage, loss, or injury or the means of repairing such damage, loss, or injury is inaccessible to Tenant. In connection with the foregoing, Tenant hereby waives any defense would otherwise be provided by Section 1542 of the California Civil Code (which states "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor"), or laws of a similar nature, which would limit any such release to matters known or suspected to exist by Tenant. This Lease shall not be affected or impaired by any change to any part of the Project or any sidewalks, streets or improvements nearby the Project.

37. Hazardous Substances.

37.1. Landlord's Covenants. Landlord hereby notifies Tenant, and Tenant hereby acknowledges that, prior to the leasing of the Premises pursuant to this Lease, Tenant has been notified, pursuant to California Health and Safety Code Section 25359.7 (or any successor statute), that Landlord knows, or has reasonable cause to believe, that certain hazardous substances (as such term is used in such Section 25359.7), such as common cleaning supplies, office supplies, spillage of petroleum products from motor vehicles, and other consumer products, may have come (and may in the future come) to be located on or beneath the Premises and/or the Project. Notwithstanding the foregoing, Landlord shall not cause any unlawful accumulations of Hazardous Material (as defined below) to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Landlord or its agents, employees, or contractors, except for limited quantities of standard office and janitorial supplies and petroleum and petroleum-related products commonly used on or at similar office projects. Furthermore, Landlord shall: (a) use, store, and dispose of all such permitted Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws (as defined in Paragraph 37.2, below). Except as to those matters which are Tenant's responsibility pursuant to Paragraph 37.2, below, Landlord shall be responsible, at its expense (or the expense of others; but not as an Operating Expense) to cause any unlawful accumulations of Hazardous Materials to be remediated in accordance with the requirements of all applicable environmental laws.

37.2. Tenant's Covenants. Tenant covenants, represents, and warrants to the Landlord that its use of the Premises, the Building, and the Project will be in full compliance with all environmental laws. Tenant hereby agrees to indemnify Landlord against all actions, liabilities, damages, losses, costs, expenses, attorneys' fees, and claims (except to the extent they arise as a result of Landlord's grossly negligent acts or willful misconduct), arising from or relating to: (i) any discharges, releases, or threatened releases of any Hazardous Material into ambient air, water, or land by Tenant or Tenant's Invitee's from, on, under, or above the Premises, (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or hazardous or toxic wastes, substances, or materials by Tenant or Tenant's Invitees, from, on, or under, the Premises, or (iii) a violation of any environmental law on, under, or above the Premises by Tenant or Tenant's Invitees (for purposes of this Lease, "environmental laws" shall mean any Federal, State, or local law, statute, regulation, ordinance, guideline, or common law principle relating to public health or safety or the use or control of the environment, including without limitation the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Carpenter-Presley-Tanner Hazardous Substance Account Act, the California Hazardous Waste Control Law, the Federal Clean Air Act, the California Air Resources Act, the Federal Clean Water Act, the California Porter-Cologne Water Quality Control Act, the Federal Resource Conservation and Recovery Act, the California Nejedly-Z'berg-Dills Solid Waste Management and Recovery Act, and California Health and Safety Code Section 25359.7). Tenant agrees to promptly reimburse Landlord for all of Landlord's costs arising from periodic monitoring of Tenant's use, handling, or storage of Hazardous Substances at or surrounding the Premises. Tenant shall not cause or permit any Hazardous Material to be generated, brought onto, used, stored, or disposed of in or about the Premises, the Building, or the Project by Tenant or its agents, employees, contractors, subtenants, or invitees, except for limited quantities of standard office and janitorial supplies. Tenant shall: (a) use, store, and dispose of all such permitted Hazardous Material in strict compliance with all applicable statutes, ordinances, and regulations in effect during the Lease Term that govern and/or relate to Hazardous Material, public health and safety and protection of the environment, and (b) comply at all times during the Lease Term with all environmental laws. If the Premises are contaminated (or, due to the acts or omissions of Tenant or Tenant's Invitees, the Project is contaminated) by any Hazardous Material during the Term,

then (1) Tenant shall promptly notify Landlord in writing of such contamination, and (2) Landlord may elect to either (A) demand that Tenant perform all remediation required by Landlord (to Landlord's satisfaction and at Tenant's sole cost, necessary to return the Premises (and/or the Project) to at least as good a condition as the Premises (or the Project) are in as of the date of this Lease, which Tenant shall immediately do upon receipt of notice from Landlord, or (B) proceed to cause such investigation, clean-up, and remediation work which Landlord deems necessary or desirable to be undertaken, whereupon the entire cost thereof (plus a supervisory fee equal to ten percent of such cost) will be payable by Tenant to Landlord upon demand as Additional Rent. If, after demand by Landlord, as provided in this Paragraph, Tenant does not promptly commence and diligently pursue such remediation, then Landlord may, at Landlord's election, perform or cause to be performed such remediation and Tenant shall immediately, upon demand, pay the cost thereof to Landlord, plus a supervisory fee in the amount of ten percent of such cost. Tenant's obligations and liability under this Paragraph shall survive the termination of Tenant's tenancy and the Term of this Lease, except that nothing contained in this Paragraph shall be deemed to impose liability on Tenant for any problem arising after the Term of this Lease provided neither Tenant nor Tenant's Invitees contributed to such problem during the Term of the Lease.

37.3. Definition of Hazardous Materials. As used in this Lease the term "Hazardous Material" shall mean any hazardous or toxic substance, material, or waste that is or becomes regulated by the United States, the State of California, or any local government authority having jurisdiction over the Building. Hazardous Material includes, without limitation: (a) any "hazardous substance", as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code Sections 9601-9675); (b) "hazardous waste", as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code Sections 6901-6992k); (c) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect); (d) petroleum products; (e) radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code Sections 2011-2297; (f) asbestos in any form or condition; and (g) polychlorinated biphenyls (PCBs) and substances or compounds containing PCBs.

38. Prohibition Against Mold, Lead-Based Paint, and Asbestos-Containing Materials. Tenant shall not allow or permit any lead-based paint to be used in the Premises, nor shall Tenant allow or permit any condition to occur which could result in the growth of mold within the Premises. Additionally, Tenant shall not allow or permit any materials which contain asbestos in any form or concentration ("Asbestos-Containing Materials") to be used or stored in the Premises or used in the construction of any improvements or alterations to the Premises, including, without limitation, building or construction materials and supplies. Such prohibition against Asbestos-Containing Materials shall apply regardless of whether the Asbestos-Containing Materials may be considered safe or approved for use by a manufacturer, supplier, or governmental authority, or by common use or practice. Landlord shall have the right, upon 24-hours' written notice, to enter upon and conduct inspections of the Premises to determine Tenant's compliance with this Paragraph. If Tenant violates the foregoing covenants relating to lead-based paint, mold, and Asbestos-Containing Materials (collectively "Prohibited Substances"), then (a) Tenant shall, upon notice from Landlord, immediately remove and remediate any damage from such Prohibited Substances at Tenant's sole cost, (b) such removal and remediation shall comply with all applicable laws, regulations, and requirements, (c) Tenant shall reimburse Landlord for all expenses incurred in connection with any inspection and testing of the Premises conducted by Landlord, and (d) unless Tenant completes such removal within 30 days after notice from Landlord, Landlord may, at its election, do either or both of the following: (i) declare an Event of Default (without the requirement of any notice under Paragraph 24.4) and exercise Landlord's remedies hereunder, including, without limitation, terminate this Lease upon ten days prior written notice to Tenant, and/or (ii) remove and remediate such Prohibited Substances and obtain reimbursement from Tenant for the cost of such removal and remediation, including a supervisory fee payable to Landlord in the amount of ten percent of the removal and disposal cost. Tenant shall indemnify Landlord and Landlord's directors, officers, employees, and agents against all costs, liabilities, expenses, penalties, and claims for damages, including, without limitation, litigation costs and attorneys' fees, arising from (A) the presence of Prohibited Substances upon the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any Alterations by Tenant or Tenant's agents, employees, representatives, or independent contractors, (B) any lawsuit, settlement, governmental order, or decree relating to the presence, handling, removal, or disposal of Prohibited Substances upon or from the Premises, to the extent that such Prohibited Substances are used, stored, or otherwise permitted in the Premises or used in the construction of any improvements or Alterations to the Premises by Tenant or Tenant's agents, employees, representatives or independent contractors, or (C) Tenant's failure to perform its obligations to remove such Prohibited Substances under this Paragraph. The provisions of this Paragraph shall not apply to any Prohibited Substances brought onto the Premises by Landlord or Landlord's Invitees or resulting from the acts of Landlord or Landlord's Invitees.

39. Security Measures. Tenant acknowledges that, although the Building may contain a restricted access entry system (if provided for as part of Landlord's Work), (i) the Basic Monthly Rent does not include the cost of any security measures for any portion of the Project (ii) Landlord shall have no obligation to provide any such security measures, (iii) Landlord has made no representation to Tenant regarding the safety or security of the Project, and (iv) Tenant will be solely responsible for providing any security it deems necessary to protect itself, its property, and Tenant's Invitees in, on, or about the Project. If Landlord provides any security measures at any time, then the cost thereof shall be included as part of the Operating Expenses, but Landlord will not be obligated to continue providing such security measures for any period of time, Landlord may discontinue such security measures without notice and without liability to Tenant, and Landlord will not be obligated to provide such security measures with any particular standard of care. Tenant assumes all responsibility for the security and safety of Tenant, Tenant's property, and Tenant's Invitees. Tenant releases Landlord from all claims (other than due to Landlord's gross negligence or intentional misconduct) for damage, loss, or injury to Tenant, Tenant's Invitees, and/or to the personal property of Tenant and/or of Tenant's Invitees, even if such damage, loss, or injury is caused by or results from the criminal, reckless, or negligent acts of third parties. In connection with the foregoing, Tenant hereby waives any defense would otherwise be provided by Section 1542 of the California Civil Code (which states "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor"), or laws of a similar nature, which would limit any such release to matters known or suspected to exist by Tenant. Tenant is hereby instructed to conduct its own investigation through local police agencies regarding any criminal acts or dangerous conduct that has occurred in or near the Project. Landlord shall have no duty to warn Tenant of any criminal acts or dangerous conduct that has occurred in or near the Project, regardless of Landlord's knowledge of such crimes or conduct, and Tenant hereby undertakes to remain informed regarding such issues.

40. Subordination and Attornment. This Lease and Tenant's rights under this Lease are subject and subordinate to any mortgage, deed of trust, ground lease, or underlying lease (and to all renewals, modifications, consolidations, replacements, or extensions thereof), now or hereafter affecting the Premises. The provisions of this Paragraph shall be self-operative, and no further instrument of subordination shall be required. In confirmation of such subordination, however, Tenant shall promptly execute and deliver any commercially reasonable instruments that Landlord, any Lender, or the lessor under any ground or underlying lease, may request to evidence such subordination, provided such instrument contains customary non-disturbance language in favor of Tenant and is consistent with the provisions of the next sentence including, without limitation, a Subordination, Attornment, and Non-Disturbance Agreement in the form to be commercially reasonable and acceptable to Lender. If any Lender, or the lessor of any ground or underlying lease affecting the Premises, shall hereafter succeed to the rights of Landlord under this Lease, whether by foreclosure, deed in lieu of foreclosure, or otherwise, then (i) such successor landlord shall not be subject to any offsets or defenses which Tenant might have against Landlord, (ii) such successor landlord shall not be bound by any prepayment by Tenant of more than one month's installment of Basic Monthly Rent or any other Rent, (iii) such successor landlord shall not be subject to any liability or obligation of Landlord except those arising after such succession, (iv) Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease, (v) Tenant shall promptly execute and deliver any commercially reasonable instruments that may be necessary to evidence such attornment, (vi) upon such attornment, this Lease shall continue in effect as a direct lease (whether separately documented or not) between such successor landlord and Tenant upon and subject to all of the provisions of this Lease, and (vii) Tenant shall be entitled to quiet enjoyment of the Premises for so long as Tenant is not in default under the terms of this Lease or any substitute lease referenced above. Notwithstanding the preceding provisions of this Paragraph, if any ground lessor or Lender elects to have this Lease prior to the lien of its ground lease, deed of trust, or mortgage, and gives written notice thereof to Tenant that this Lease shall be deemed prior to such ground lease, deed of trust, or mortgage, whether this Lease is dated prior or subsequent to the date of such ground lease, deed of trust, or mortgage, then this Lease shall be deemed to be prior to the lien of such ground lease or mortgage and such ground lease, deed of trust, or mortgage shall be deemed to be subordinate to this Lease.

41. Estoppel Certificate. Within ten days after written request from Landlord, Tenant shall execute and deliver to Landlord, in recordable form, a certificate ("Estoppel Certificate") stating (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit, prepaid rent or other payment constituting Rent which has been paid, (v) whether or not Tenant or, to Tenant's knowledge, Landlord is in default under this Lease and whether there currently exist any defenses or rights of offset under the Lease in favor of Tenant, (vi) that any Landlord's Work required by this Lease is complete (or stating any exceptions) and (vii) such other matters as Landlord may reasonably request. Tenant's failure to deliver such certificate within such ten day period shall be conclusive upon Tenant for the benefit of Landlord, and any successor in interest to Landlord, any lender or proposed lender, and any purchaser or proposed purchaser of the Project that, except as may be represented by Landlord, this Lease is unmodified and in full force and effect, no Rent has been paid more than 30 days in advance, neither Tenant nor Landlord is in default under this Lease, no defenses or rights of offset under the Lease exist in favor of Tenant, and that all

Landlord's Work required by this Lease is complete. Landlord will similarly, in connection with any lending or Transfer transaction, upon ten days written request from Tenant, execute an estoppel certificate in favor of Tenant's proposed lender or Transferee confirming (i) that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating all modifications, (ii) the then-current Basic Monthly Rent, (iii) the dates to which Basic Monthly Rent has been paid in advance, (iv) the amount of any security deposit, prepaid rent, or other payment constituting Rent which has been paid, and (v) whether or not to the best of Landlord's knowledge Tenant is in default under this Lease. The requirement for Tenant to execute and deliver to Landlord, the Estoppel Certificate, as required above, shall not be delayed, conditioned, or withheld for any reason; this requirement shall be an independent covenant of Tenant under this Lease.

42. Waiver. No delay or omission in the exercise of any right or remedy of Landlord in the event of any default or Event of Default by Tenant shall impair such right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any default other than the particular Rent payment accepted. Landlord's receipt and acceptance from Tenant, on any date (the "Receipt Date"), of an amount less than the Rent actually due on such Receipt Date, or to become due at a later date but applicable to a period prior to such Receipt Date, shall not release Tenant of its obligation (i) to pay the full amount of such Rent due on such Receipt Date or (ii) to pay when due the full amount of such Rent to become due at a later date but applicable to a period prior to such Receipt Date. No act or conduct of Landlord, including without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance by Landlord of the surrender of the Premises by Tenant before the Expiration Date. Only a written notice from Landlord to Tenant stating Landlord's election to terminate Tenant's right to possession of the Premises shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any other or subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Lease. Tenant hereby waives any rights granted to Tenant under California Code of Civil Procedure Section 1179, California Civil Code Section 3275, and/or any successor statute(s). Tenant represents and warrants that if Tenant breaches this Lease and, as a result, this Lease is terminated, Tenant will not suffer any undue hardship as a result of such termination and, during the Term, will make such alternative or other contingency plans to provide for its vacation of the Premises and relocation in the event of such termination. Tenant acknowledges that Tenant's waivers set forth in this Paragraph are a material part of the consideration for Landlord's entering into this Lease and that Landlord would not have entered into this Lease in the absence of such waivers.

43. Brokers. Tenant represents that no real estate broker, agent, finder, or other person is responsible for bringing about or negotiating this Lease other than the Tenant's broker, if any, listed in the Principal Lease Provisions, and Tenant has not dealt with any other real estate broker, agent, finder, or other person, relative to this Lease in any manner. Tenant shall indemnify, defend, and hold Landlord harmless from and against all liabilities, damages, losses, costs, expenses, attorneys' fees and claims arising from any claims that may be made against Landlord by any real estate broker, agent, finder, or other person (other than as set forth above), alleging to have acted on behalf of or to have dealt with Tenant. Landlord shall be responsible, upon satisfaction of the requirements of a separate written listing agreement between Landlord and Landlord's broker, for the payment of the commission due and owing to Landlord's brokers identified in the Principal Lease Provisions (or any other brokers engaged by Landlord), pursuant to such separate written agreement between Landlord and Landlord's broker. Landlord's broker will in turn split such commission with Tenant's broker as such parties may agree.

44. Limitations on Landlord's Liability. If Landlord is in default of this Lease, and as a consequence Tenant recovers a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levy against the right, title, and interest of Landlord in the Project, and out of rent or other income from the Project receivable by Landlord or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title, and interest in the Project. Neither Landlord nor Landlord's shareholders, members, officers, directors, agents, property managers, employees, contractors, or the partners comprising Landlord (if any) shall be personally liable for any deficiency.

45. Sale or Transfer of Premises. If Landlord sells or transfers the Project (whether voluntarily or involuntarily), Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under this Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord may transfer the security deposit and/or prepaid rent to Landlord's successor-in-interest and on such transfer Landlord shall be discharged from any further liability arising from the security deposit or prepaid rent.

46. Quitclaim Deed. Tenant shall execute and deliver to Landlord on the Expiration Date, promptly on Landlord's request, a quitclaim deed to the Premises, in recordable form, designating Landlord as transferee.

47. No Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation of this Lease, or a termination by Landlord, shall not work a merger, and shall, at the option of Landlord, terminate any existing subleases or may, at the option of Landlord, operate as an assignment to Landlord of any such subleases.

48. Confidentiality. Except as essential to the consummation of the transaction contemplated by this Lease (together with all amendments and addenda hereto):

48.1. Tenant shall keep and maintain the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease in strict confidence; and

48.2. Tenant may not make or allow any notices, statements, disclosures, communication, or news releases concerning this Lease, the terms of this Lease and the transactions contemplated by this Lease or any aspect of this Lease.

48.3. Nothing provided herein, however, shall prevent Tenant from disclosing to its legal counsel and/or certified public accountants, prospective purchasers, or lenders the existence and terms of this Lease or any transaction under this Lease, or any aspect of this lease, or from complying with any governmental or court order or similar legal requirement which requires such party to disclose this Lease, the terms of this Lease, the transaction contemplated by this Lease and/or any aspect of this Lease; provided that such party uses reasonable and diligent good faith efforts to disclose no more than is absolutely required to be disclosed by such legal requirement. If Tenant violates this confidentiality provision, in addition to all other remedies to which Landlord may be entitled under law or in equity, Landlord shall be entitled to receive immediately the entire value of any rent relief, rent abatement, free rent, reimbursement, or other concession which Landlord has previously granted to Tenant.

48.4. Disclosure. Notwithstanding anything contained herein to the contrary, Landlord shall be entitled to disclose the terms of this Lease in connection with public filings and/or presentations of its parent and/or affiliates.

49. Miscellaneous.

49.1. This Lease may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one document.

49.2. Within twenty days of written request, Tenant shall furnish to Landlord, not more than once every two (2) years financial statements certified by Tenant to be true and correct, reflecting Tenant's then current financial condition. Such financial statements shall include a current balance sheet and a profit and loss statement covering the most recent 12-month period available.

49.3. Notwithstanding any other provision in this Lease to the contrary, Tenant shall refrain from selling or otherwise distributing any alcoholic beverages and such sales are expressly forbidden under this Lease notwithstanding the fact that Tenant may hold the appropriate license as issued and/or approved by the California Alcoholic Beverage Control Agency.

49.4. This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located. If the Premises are located outside of California, then the references in this Lease to California statutes shall be deemed to include any relevant statute of the jurisdiction in which the Premises are located that is comparable to such California statutes.

49.5. For purposes of venue and jurisdiction, this Lease shall be deemed made and to be performed in the City of San Diego, California (whether or not the Premises are located in San Diego, California) and Landlord and Tenant hereby consent to the jurisdiction of the Courts of the County of San Diego.

49.6. Tenant covenants and agrees not to protest or in any way oppose any application for a license to serve or sell liquor filed by tenants or other users of space within the Project.

49.7. Whenever the context so requires, all words used in the singular shall be construed to have been used in the plural (and vice versa), each gender shall be construed to include any other genders, and the word "person" shall be construed to include a natural person, a corporation, a firm, a partnership, a joint venture, a limited liability company, a trust, an estate or any other entity.

49.8. Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Lease or the application of such provision to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected by such invalidity or unenforceability, unless such provision or such application of such provision is essential to this Lease.

49.9. In the event any litigation, arbitration, mediation, or other proceeding ("Proceeding") is initiated by any party against any other party to enforce, interpret or otherwise obtain judicial or quasi-judicial relief in connection with this Lease the prevailing party in such Proceeding shall be entitled to recover from the unsuccessful party all costs, expenses, and reasonable attorney's fees and expert witness fees relating to or arising out of such Proceeding (whether or not such Proceeding proceeds to judgment), and any post-judgment or post-award proceeding including without limitation one to enforce any judgment or award resulting from any such Proceeding. Any such judgment or award shall contain a specific provision for the recovery of all such subsequently incurred costs, expenses, and actual attorney's fees and expert witness fees.

49.10. This Lease shall become effective and binding upon the parties when it has been executed by each of Landlord and Tenant; notwithstanding the fact that the Term of this Lease *(i.e.* Tenant's rights of full occupancy hereunder) will not commence until the Lease Commencement Date.

49.11. Subject to any restriction on transferability contained in this Lease, this Lease shall be binding upon and shall inure to the benefit of the successors-in-interest and assigns of each party to this Lease. Nothing in this Paragraph shall create any rights enforceable by any person not a party to this Lease, except for the rights of the successors-in-interest and assigns of each party to this Lease, unless such rights are expressly granted in this Lease to other specifically identified persons.

49.12. The headings of the Paragraphs of this Lease have been included only for convenience, and shall not be deemed in any manner to modify or limit any of the provisions of this Lease, or be used in any manner in the interpretation of this Lease.

49.13. Time and strict and punctual performance are of the essence with respect to each provision of this Lease. All references to "days" in this Lease will refer to calendar days, unless such reference specifically indicates that "business days" are intended. Business days will mean and refer to all calendar days other than Saturdays, Sundays, and national or California state holidays.

49.14. Each party to this Lease and its legal counsel have had an opportunity to review and revise this Lease. The rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any Addendum or Exhibit to this Lease, and such rule of construction is hereby waived by Tenant.

49.15. All notices required or permitted to be given by Tenant to Landlord shall be in writing and shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally or locally recognized overnight express courier service that provides written confirmation of delivery to Landlord at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph, and if it is sent by nationally recognized overnight express courier service, it shall be deemed given one business day after deposit with the courier. Landlord or Tenant must give a notice of a change of its address to the other, if such address changes. All notices required or permitted to be given to Tenant by Landlord shall, except as otherwise provided in this Lease, be in writing, and such notice shall be personally delivered, sent by certified mail, postage prepaid, return receipt requested, or sent by a nationally recognized overnight express courier service that provides written confirmation of delivery, to Tenant at the address set forth in the Principal Lease Provisions of this Lease. Each such notice or other communication shall be deemed given, delivered and received upon its actual receipt, except that if it is sent by mail in accordance with this Paragraph, then it shall be deemed given, delivered and received three days after the date such notice or other communication is deposited with the United States Postal Service in accordance with this Paragraph. Notwithstanding the foregoing, routine correspondence between Landlord and Tenant shall be deliverable by regular U.S. mail, by fax, or by other such means of delivery as may become customary.

49.16. If more than one person is Tenant, then the obligations of Tenant under this Lease shall be the joint and several obligations of each of such persons; provided, however, that any act or signature of one or more of any of such persons and any notice or refund given to or served on anyone of such persons shall be fully binding on each of such persons.

49.17. AII provisions, whether covenants or conditions, to be performed or observed by Tenant shall be deemed to be both covenants and conditions. All indemnity, defense, and hold harmless obligations of Tenant hereunder shall survive the termination of this Lease.

49.18. Intentionally Deleted.

49.19. AII payments to be made by Tenant to Landlord under this Lease shall be in United States currency.

49.20. Any claim, demand, rights, or defense by Tenant that arises out of this Lease or the negotiations that preceded this Lease shall be barred unless Tenant commences an action thereon, or interposes a defense by reason thereof, within 12 months after the date of the inaction, omission, event, or action that gave rise to such claim, demand, right, or defense. Tenant acknowledges and understands, after having consulted with its legal counsel, that the purpose of this Paragraph is to shorten the period within which Tenant would otherwise have to raise such claims, demands, rights, or defenses under applicable laws.

49.21. This Lease, the Exhibits and Addenda, if any, attached hereto (which are incorporated herein by this reference), constitute all of the covenants, promises, assurances, representations, warranties, statements, agreements, conditions and understandings between Landlord and Tenant concerning the Premises and the Project, and there are no other covenants, promises, assurances, representations, warranties, statements, conditions, or understandings, either oral or written, between them. Except as herein otherwise provided, no subsequent alteration, change, modification, or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each of them. Notwithstanding the foregoing, the Landlord may, from time to time, establish and amend such Rules, regulations, and signage criteria, in a written form, for the benefit of the Project and Building, as it deems appropriate. Violations of such Rules, regulations, and signage criteria by Tenant or Tenant's Invitees shall constitute a material default of this Lease.

49.22. This Lease, upon full execution, supersedes and revokes any and all previous leases governing the Premises, lease negotiations, arrangements, letters of intents, offers to lease, lease proposals or drafts, brochures, representations, and information conveyed, whether oral or written, between parties hereto or their respective representations or any other person purported to represent Landlord or Tenant. The Tenant acknowledges it has not been induced to enter into this Lease by any representations not set forth in the Leases, nor has it relied on any such representations. No such representations should be used in the interpretation or construction of this Lease and the Landlord shall have no liability for any consequences arising as a result of any such representations.

49.23. LANDLORD AND TENANT WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES, INCLUDING ANY CLAIM OF INJURY OR DAMAGE OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY CURRENT OR FUTURE LAW, STATUTE, REGULATION, CODE, OR ORDINANCE.

TENANT'S INITIALS	LANDLORD'S INITIALS

49.24. Consequential Damages. Notwithstanding anything to the contrary contained in this Lease, nothing in this Lease shall impose any obligations on Tenant or Landlord to be responsible or liable for, and each hereby releases the other from all liability for, consequential damages other than those consequential damages incurred by Landlord in connection with a holdover (without Landlord's consent) of the Premises by Tenant after the expiration or earlier termination of this Lease or incurred by Landlord in connection with any repair, physical construction or improvement work performed by or on behalf of Tenant in the Project.

49.25. Anti-Money Laundering/OFAC Requirements. Tenant represents and warrants as follows, with the understanding that the Landlord will rely on the accuracy of these representations and warranties to establish the Landlord's compliance with the laws enforced by the United States Department of Treasury's Office of Foreign Assets Control ("OFAC"), and any other applicable laws, rules, regulations and other legal requirements relating to the combating of money laundering and/or terrorism (i.e., Patriot Act).

49.25.1. If Tenant is an entity (e.g., a corporation, partnership, limited liability company, trust), (i) Tenant has exercised due diligence to establish the identity of each person who possesses the power, directly or indirectly, to direct or cause the direction of Tenant's management and policies; (ii) if ownership interests in Tenant are not publicly traded on an exchange or an organized over-the-counter market that is regulated by any foreign government, or any governmental body or regulatory organization empowered by a foreign government to administer or enforce its laws as they relate to securities matters, Tenant has exercised due diligence to establish the identity of each person who holds, directly or indirectly, a beneficial interest in Tenant; and (iii) if Tenant is a financial intermediary (e.g., a bank, brokerage firm, depository), Tenant has exercised due diligence to establish the identity of each of its account holders (each of the foregoing persons listed in this Paragraph being an "Affiliated Person"). Tenant (x) maintains records of all documents it uses to verify the identities of its Affiliated Persons; (y) will maintain all such records for a period of at least five (5) years after the expiration of the Lease; and (z) will make such documentation available to the Landlord at any time upon request.

49.25.2. Tenant is not a "Prohibited Person" (as defined below), none of its Affiliated Persons is a Prohibited Person, and Tenant is not acquiring, and does not intend to enter into this Lease for the direct or indirect benefit of any Prohibited Person. Tenant acknowledges and agrees that if, at any time, the Landlord determines that Tenant is or may be a Prohibited Person, or that any Prohibited Person holds or may hold a direct or indirect interest in Tenant, the Landlord may, in its sole discretion, terminate the Lease.

49.25.3. For purposes of the foregoing representations and warranties, "Prohibited Person" means any person or entity that acts or has acted (i) in contravention of any statute, rule, regulation or other legal requirement to which that person is subject relating to the combating of terrorism and/or money laundering, or (ii) on behalf of any person or organization (A) residing or having a place of business in a country or territory subject to embargo under laws enforced by OFAC, or (B) identified as a terrorist, terrorist organization, specially designated national or blocked person by OFAC, any other department, agency, division, board, bureau or other instrumentality of the United States Government, or any recognized international organization, multilateral expert group or governmental or industry publication. OFAC's lists of specially designated nationals, blocked persons and embargoed countries and territories can be found at www.treas.gov/ofac.

49.25.4. Tenant acknowledges and agrees that, any provision of this Lease to the contrary notwithstanding, the Landlord may release confidential information regarding Tenant to law enforcement authorities and/or regulators if the Landlord determines, that it is in the best interests of the Landlord to do so in light of the Landlord's obligations and/or potential liability under any applicable statute, rule, regulation or other legal requirement relating to the combating of terrorism and/or money laundering.

49.25.5. Tenant acknowledges and agrees that the foregoing representations and warranties are subject to Tenant's indemnification obligations under this Lease.

49.25.6. If Tenant becomes aware of any fact or circumstance that may render any of the foregoing representations and warranties inaccurate in any respect, Tenant will immediately notify the Landlord.

LANDLORD:

PACIFIC NORTH COURT HOLDINGS, L.P.,
a California limited partnership

By: American Assets Trust Management,
LLC, a Delaware limited liability
company, as Agent

By: /s/ John W. Chamberlain
John W. Chamberlain
President and CEO

By: /s/ James R. Durfey
James R. Durfey
V.P. of Office Leasing

Dated: April 1, 2014

TENANT:

ADAMIS PHARMACEUTICALS
CORPORATION, a Delaware corporation

By: /s/ Dennis J. Carlo
Dennis J. Carlo
President and CEO

Dated: April 1, 2014

ADDENDUM NO.1
TO STANDARD OFFICE LEASE

This Addendum to Lease ("Addendum") constitutes part of the Office Lease Agreement ("Lease") dated as of April 1, 2014 between PACIFIC NORTH COURT HOLDINGS, L.P., a California limited partnership ("Landlord"), and ADAMIS PHARMACEUTICALS CORPORATION, a Delaware corporation (''Tenant''). The terms of this Addendum are incorporated in the Lease for all purposes. All capitalized terms not otherwise defined in this Addendum are defined by the terms of the Lease.

1. BASIC MONTHLY RENT

Basic Monthly Rent during the Lease Term shall be as follows:

Lease Period	Approximate Basic Monthly Rent Per Rentable Square Foot	Actual Basic Monthly Rent for the Premises
12/1/2014 - 11/30/2015	$3.20	$24,080.00**
12/1/2015 - 11/30/2016	$3.30	$24,802.40
12/1/2016 - 11/30/2017	$3.39	$25,546.47
12/1/2017 - 11/30/2018	$3.50	$26,312.87

In addition, Tenant shall pay for all individually and separately metered utilities.

***Tenant shall be granted a three (3) month full abatement of Basic Monthly Rent during months two (2) through four (4) of the Initial Lease Term and a partial abatement equal to seventy-five percent (75%) of Basic Monthly Rent during month five (5) of the Initial Lease Term. As such and provided Tenant is not in material default of this Lease, Tenant shall not be required to pay Basic Monthly Rent during the second (2nd) through fourth (4th) months of the Initial Lease Term, nor seventy-five (75%) of Basic Monthly Rent during the fifth (5th) month of the Initial Lease Term. If Tenant is deemed in material default of the Lease (after applicable notice and cure period), Tenant shall become fully liable for all funds abated and Landlord shall be entitled to exercise all of its rights and remedies with respect to collecting the monies so abated.*

2. PROJECT EXPANSIONIMODIFICATION

A. Further Construction. Tenant acknowledges that Landlord may, from time to time, at its sole election, construct, reconstruct, modify, expand, or otherwise alter the Project (collectively, "Construction Work"), or portions thereof (in no event however will Landlord have any obligation to do so). Tenant acknowledges that any such Construction Work will necessarily involve, among other things, the generation of noise, dust, and Vibrations, barricading portions of the Project and the placement of scaffolding within the Project, demolition, structural alterations, storage of materials and equipment within the Project, and the presence of workmen within the Project, all of which may require the rearrangement of parking areas, common areas, roadways, lighting facilities, and the re-direction of vehicular and pedestrian traffic. Except as provided below, Tenant waives any and all claims, defenses, rights of offset, or deductions based upon any inconvenience suffered by Tenant or any interruption of or interference with Tenant's business including, without limitation, any loss of business, decreased sales, or inconvenience to Tenant or Tenant's Invitees as a result of or relating to such Construction Work. Landlord hereby reserves for itself and its agents, employees, licensees and contractors, the right to enter the Premises to the extent reasonably necessary to pursue such Construction Work upon 48 hours' prior written notice to Tenant. The exercise of any of Landlord's rights pursuant to this paragraph will not entitle Tenant to any abatement of Rent or other claim, right of offset, or defense against Landlord, except that. Tenant shall have the right to bring an action against Landlord in the event Tenant suffers any damages as a result of Landlord's negligence or intentional misconduct in pursuing such Construction Work. Tenant further acknowledges that expansion of the Project may affect the amount of the Operating Expenses and the portion thereof payable by Tenant.

B. Reserved Rights. Landlord hereby reserves such licenses and easements in, on, above or below the Premises as may be reasonably required (i) for the installation, inspection, surveying, maintenance, or construction of mains, conduits, shafts, columns, footings, piers, pipes or other facilities to serve any building within the Project, or (ii) for any Construction Work; provided, however, Landlord will use its best efforts to minimize any unreasonable interference with Tenant's use, occupancy, or enjoyment of the Premises as contemplated by this Lease.

C. Right of Abatement. Notwithstanding anything to the contrary contained in Paragraph A, above, to the extent any Construction Work undertaken by Landlord materially adversely affects Tenant's access to and reasonable use of the Premises then Tenant's Base Monthly Rent will be equitably abated during the period such material adverse interference with Tenant's business at the Premises continues as a result thereof. The foregoing right of abatement will constitute Tenant's sole and absolute right against Landlord or otherwise in connection with any such Construction Work and Tenant releases and waives any other claims, defenses, or rights in connection therewith.

D. Remodel. Landlord may in the future remodel, renovate or refurbish ("remodel") all or any portion of the Project, which remodel may include the Premises. The remodeling will be done in accordance with design specifications prepared by the project architect and reviewed and approved by Landlord and, with respect to the interior of the Premises, also by Tenant.

3. CONDITION OF THE PREMISES

Tenant acknowledge that Tenant shall accept and occupy the Premises in its currently existing "as-is" condition pursuant to the terms of this Lease. Tenant acknowledges and agrees that Landlord has no obligation to improve the Premises, other than as may be set forth specifically in the Lease. In particular, Tenant acknowledges that any improvements or alterations needed to accommodate Tenant's intended use shall be made solely at Tenant's sole cost and expense, and strictly in accordance with the requirements of this Lease (including the requirement to obtain Landlord's consent thereto), unless such improvements and alterations are specifically required of Landlord and expressly set forth in this Lease and in Exhibit "C". Should tenant improvements be made to the Premises in the future, the Premises shall be constructed in accordance with the procedures outlined in Exhibit "C" of this Lease. Landlord shall have no responsibility to do any work required under any building codes or other governmental requirements not in effect or applicable on the Lease Commencement Date, including without limitation any requirements related to sprinkler retrofitting, seismic structural requirements, accommodation of disabled persons, or hazardous materials.

4. UTILITIES

Notwithstanding the terms of Paragraph 9 of the Lease, the Premises are separately metered for electricity. Tenant shall make all arrangements for the establishment of an account or accounts with the appropriate utility provider(s), and Tenant shall make all payments with respect thereto for use of said utilities within the Premises during the term of the Lease, including any periods of early occupancy or holdover thereof. In the event the Premises are sub-metered and direct payment to the utility is impractical, Tenant shall reimburse Landlord or Landlord's designee directly for all such costs, fees, and consumption charges arising from said sub-meter.

[Signature page to follow]

Unless modified by this Addendum, each term of the Lease remains unamended and in full force. The parties have executed this Addendum as of the date of the Lease.

LANDLORD:

PACIFIC NORTH COURT HOLDINGS, L.P.,
a California limited partnership

By: American Assets Trust Management, LLC, a Delaware limited liability company, as Agent

By: /s/ John W. Chamberlain
John W. Chamberlain
President and CEO

By: /s/ James R. Durfey
James R. Durfey
V.P. of Office Leasing

Dated: April 1, 2014

TENANT:

ADAMIS PHARMACEUTICALS CORPORATION, a Delaware corporation

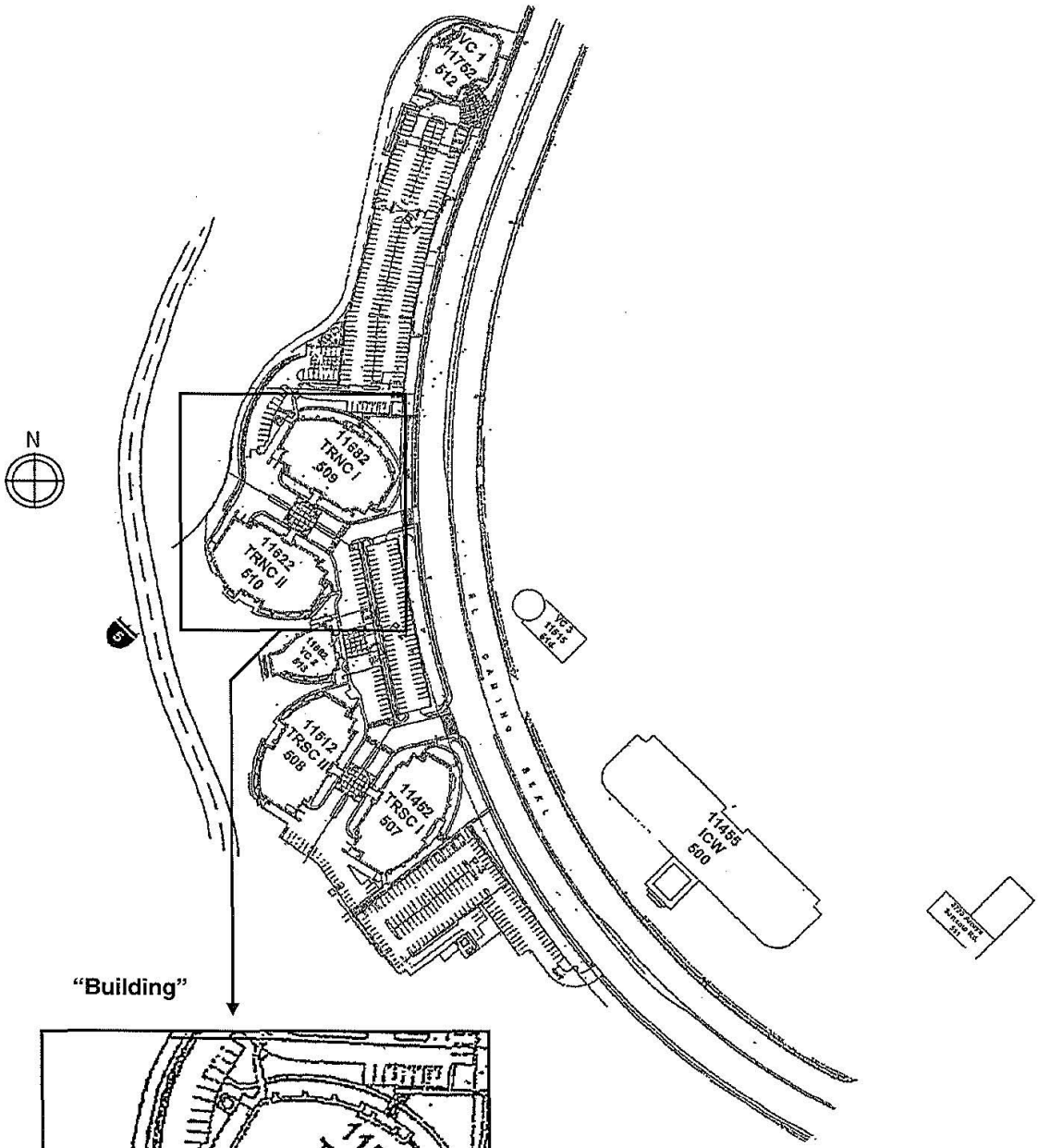
By: /s/ Dennis J. Carlo
Dennis J. Carlo
President and CEO

Dated: April 1, 2014

EXHIBIT "A"

Project Site Plan

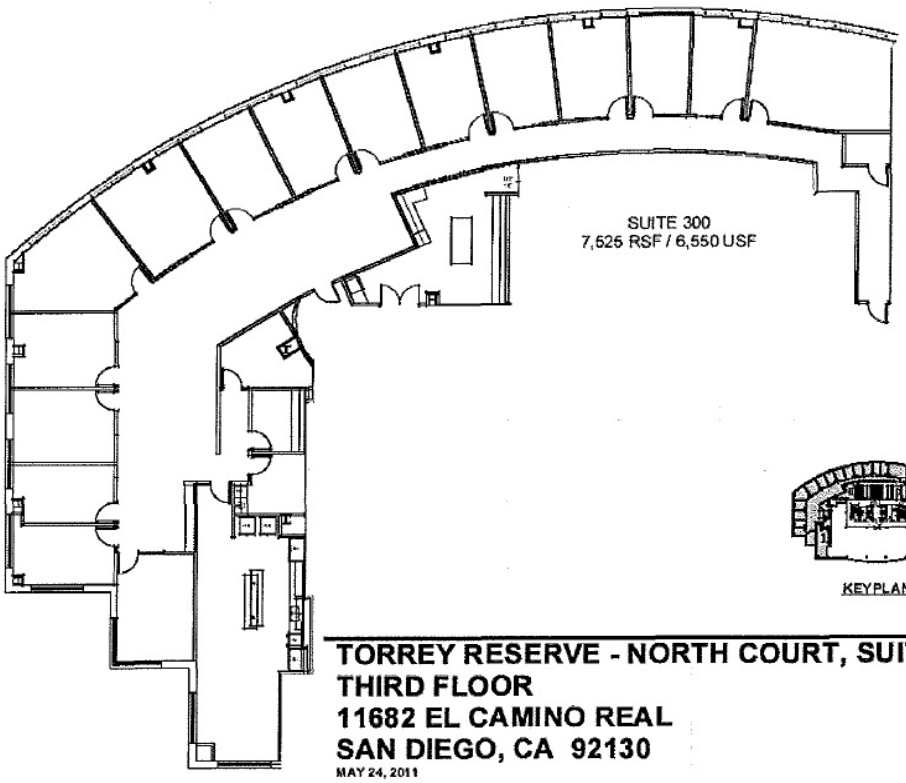
This Exhibit "A" is intended to show the approximate configuration of the Project and the Building as of the Commencement Date and is not a representation or warranty by Landlord as to the size, nature or exact configuration of the Project or Building.



☒ Torrey Reserves North Court I –
11682 El Camino Real

EXHIBIT "B"

FLOOR PLANS OF PREMISES



TORREY RESERVE - NORTH COURT, SUITE 300
THIRD FLOOR
11682 EL CAMINO REAL
SAN DIEGO, CA 92130
MAY 24, 2011

EXHIBIT"C"

WORK LETTER

General Recital: Tenant accepts the Premises in its "As-Is, Where-Is" condition.

EXHIBIT "D"

BUILDING RULES AND REGULATIONS

Tenant shall comply with the following Rules and Regulations. Landlord shall not be responsible to Tenant for the nonperformance of any of these rules and Regulations.

1. Locks; Keys. Tenant shall not alter any lock or install any new or additional locks or bolts on any doors or windows of the Premises without obtaining Landlord's prior written consent. Tenant shall bear the cost of any lock changes or repairs required by Tenant. Landlord for the Premises shall furnish two keys, and any additional keys required by Tenant must be obtained from Landlord at a reasonable cost to be established by Landlord.

2. Doors Opening to Public Corridors. All doors opening to public corridors must be kept closed at all times except for normal ingress to and egress from the Premises.

3. Securing Doors; Admission to Building. Landlord reserves the right to close and keep locked all entrance and exit doors of the Building during the hours when Comparable Building are customarily closed and locked. When departing after the Building's normal Business Hours, Tenant and Tenant's employees and agents must be sure that the doors to the Building are securely closed and locked. Any person, including Tenant and Tenant's employees and agents, who enters or leaves the Building at any time when it is locked or at any time considered to be after the Building's normal Business Hours, may be required to sign the Building register. Access to the Building may be refused unless the person seeking access has proper identification or has previously arranged a pass for access to the Building. Landlord and its agents shall not be liable for damages for any error concerning the admission to, or exclusion from, the Building of any person. Landlord reserves the right, in the event of invasion, mob, riot, public excitement, or any other commotion, to prevent access to the Building or Project during the continuance of that event by any means it considers appropriate for the safety and protection of life and property.

4. Furniture, Freight, and Equipment; Service Deliveries. No furniture, freight, or equipment of any kind may be brought into the Building without prior notice to Landlord. All moving activity into or out of the Building must be scheduled with Landlord and done only at a time and in the manner designated by Landlord. No service deliveries (other than Messenger services) shall be allowed between the hours of 4:00 PM and 6:00 PM, Monday through Friday. Landlord may at any time restrict the elevators and areas of the Building into which messengers may enter and may require that Tenant leave deliveries at the lobby security desk for pickup. Landlord may prescribe the weight, size, and position of all safes and other heavy property brought into the Building and the times and manner of moving those items within and out of the Building. Tenant shall not overload the floor of the Premises. If considered necessary by Landlord, safes and other heavy objects must stand on supports that are adequate to distribute the weight properly. Landlord shall not be responsible for loss of or damage to any safe or property. Any damage to any part of the Building or to its contents, occupants, or visitors caused by moving or maintaining any safe or other property referred to in this clause shall be the sole responsibility and expense of Tenant.

5. Receipt of Deliveries; Use of Elevators. No furniture, packages, supplies, equipment, or merchandise may be received in the Building or carried up or down the elevators, except between those hours and in that specific elevator that Landlord shall designate.

6. No Disturbance of Other Occupants. Tenant shall not disturb, solicit, or canvass any occupant of the Project and shall cooperate with Landlord and Landlord's agents to prevent these actions.

7. Use of Restrooms; Responsibility for Damage. The restrooms, urinals, wash bowls, and other apparatus shall not be used for any other purpose other than that for which they were constructed, and no foreign substance of any kind shall be thrown into them. The expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the tenant who caused, or whose employees or agents caused, the breakage, stoppage, or damage.

8. Heating and Air-Conditioning. Tenant shall not use any method of heating or air-conditioning, other than that supplied by Landlord, without Landlord's prior written consent.

9. Foul or Noxious Gases or Substances; Noninterference With Others. Tenant shall not use or keep, or allow to be used or kept, any foul or noxious gas or substance in or on the Premises. Tenant shall not allow the Premises to be occupied or used in a manner causing noise, odors, or vibrations that are offensive or objectionable to Landlord or other occupants of Project.

10. Animals. Birds, and Vehicles. Tenant shall not bring into, or keep within, the Premise, Building or Project any animals, birds, or vehicles (e.g., bicycles).

11. Cooking; No use of the Premises for Improper Purposes. No cooking shall be done or permitted on the Premises, except that Underwriter's Laboratory (UL)-approved equipment and microwave ovens may be used in the Premises for heating food and brewing coffee, tea, hot chocolate, and similar beverages for employees and visitors. This must be in accordance with all applicable federal, state, and city laws, codes, ordinances, rules, and regulations.

12. Telephone and Other Wires. Tenant may not introduce telephone wires or other wires into the Premises without first obtaining Landlord's approval of the method and location of such introduction with Landlord's said approval not to be unreasonably withheld or delayed. . No boring or cutting for telephone wires or other wires shall be allowed without Landlord's consent. The location of telephones, call boxes, and other office equipment affixed to the Premises shall be subject to Landlord's approval with Landlord's said approval not to be unreasonably withheld or delayed.

13. Exclusion or Expulsion. Landlord reserves the right to exclude or expel from the Project any person who, in Landlord's judgment, is under the influence of alcohol or drugs or commits and act in violation of theses Rules and Regulations.

14. Loitering Prohibited. Tenant and Tenant's employees and agents shall not loiter in or on the entrances, corridors, sidewalks, lobbies, halls, stairways, elevators, or common areas for the purpose of smoking tobacco products or for any other purpose. Tenant and Tenant's employees and agents shall not obstruct these areas but use them only as a means of ingress to and egress from the Premises.

15. Operation of Electricity, Water, and Air Conditioning. Tenant shall not waste electricity, water, or air-conditioning and shall cooperate fully with Landlord to ensure the most effective operation of the Building's heating and air-conditioning system. Tenant shall not adjust any controls of that heating and air-conditioning system.

16. Disposal of Trash and Garbage. Tenant shall store all trash and garbage within the interior of the Premises. Tenant shall not place or have placed in the trash boxes or receptacles any material that may not or cannot be disposed of in the ordinary and customary manner of removing and disposing of trash in the vicinity of the Building. In disposing of trash and garbage, Tenant shall comply fully with any law or ordinance governing that disposal. All trash, garbage, and refuse disposal shall be made only through entry-ways and elevators provided for that purpose and shall be made only at times designated by Landlord.

17. Compliance With Safety Regulations. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or by any government agency and participate in practice drills scheduled from time to time by Landlord.

18. Protection of Premises. Tenant shall assume all responsibility, including keeping doors locked and other means of entry to the Premises closed, for protecting the Premises from theft, robbery, and pilferage.

19. Awnings, Curtains, and Electrical Ceiling Fixtures. No awnings or other projection shall be attached to the outside walls of the Building without Landlord's prior written consent. No curtains, blinds, shades, or screens, shall be attached to, hung in, or used in connection with any window or door of the Premises without Landlord's prior written consent. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Building must be fluorescent or of a quality, type, design, and bulb color approved by Landlord. Tenant shall abide by Landlord's regulations concerning the opening and closing of window coverings attached to those windows, if any, in the Premises that have a view of any interior portion of the Building or Building Common Area.

20. Non-obstruction of Light. Tenant shall not cover or obstruct the sashes, sash doors, skylights, windows, and doors that reflect or admit light and air into halls, passageways, or other public places in the Building. Tenant shall not place any bottles, parcels, or other articles on the windowsills.

21. Provision of Information to Tenant's Employees. Tenant shall comply with requests by Landlord that Tenant informs Tenant's employees of items of importance to Landlord.

22. Hand Trucks and Similar Equipment. Without Landlord's prior consent, Tenant shall not use, in any space or in the public halls of the Building, any hand trucks unless they are equipped with rubber tires and side guards or similar equipment. Tenant shall not bring any other vehicles of any kind into the Building.

23. Use of Building's Name or Likeness. Without Landlord's prior written consent, Tenant shall not use the Building's name or any photograph or other likeness of the Building in connection with, or in promoting or advertising, Tenant's business, except that Tenant may include the Building's name in the Tenant's address.

24. Parking Rules and Regulations. Without Landlord's prior written consent, no automobile detailing or washing shall be permitted in the parking areas of the Building or Project.

25. Rules Changes; Waivers. Landlord reserves the right at any time to change or rescind any one or more of these Rules and Regulations or to make any additional reasonable Rules and Regulations that, in Landlord's judgment, may be necessary for: (a) The management, safety, care, and cleanliness of the Premises, Building, and Project; (b) The preservation of good order, and (c) The convenience of other occupants and tenants in the Premises, Building, and Project.

26. Flammable. Tenant shall not have any open flames in the Premises, Building or Project at any time whatsoever, including, but not limited to, lit candles, lighters, matches or as it relates to cooking. No inflammable, explosive or dangerous fluids or substances shall be used or kept by Tenant in the Premises, Building or about the Property, except for those substances as are typically found in similar premises used for general office purposes and are being used by Tenant in a safe manner and in accordance with all applicable Laws. Tenant shall install and maintain, at Tenant's sole cost and expense, an adequate, visibly marked (at all times properly operational) fire extinguisher next to any duplication or photocopying machine or similar heat producing equipment (which may or may not contain combustible material) in the Premises. Tenant shall install in the Premises as many other fire extinguishers in such locations as required by City code. Tenant shall not, without Landlord's prior written consent, use, store, install, spill, remove, release or dispose of, within or about the Premises or any other portion of the Property, any asbestos-containing materials or any solid, liquid or gaseous material now or subsequently considered toxic or hazardous under the provisions of 42 U.S.C. Section 9601 et seq. or any other applicable environmental Law which may now or later be in effect. Tenant shall comply with all Laws pertaining to and governing the use of these materials by Tenant and shall remain solely liable for the costs of abatement and removal.

Landlord may waive anyone or more of these Rules and Regulations for the benefit of any particular tenants. No waiver by Landlord shall be constructed as a waiver of those Rules and Regulations in favor of any other tenant, and no waiver shall prevent Landlord from enforcing those Rules and Regulations against any other tenant of the Project. Tenant shall be considered to have read these Rules and Regulations and to have agreed to abide by them as a condition of Tenant's occupancy of the Premises.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Prospectus constituting a part of the Registration Statements on Form S-8 (Nos. 333-159229, 333-169106, 333-175383, 333-196435, and 333-201742), on Form S-1 (Nos. 333-190798, 333-192372, and 333-192801), and on Form S-3 (Nos. 333-196976, 333-199454 and 333-200447) of our report dated March 26, 2015, (which includes an explanatory paragraph relating to the uncertainty of the Company's ability to continue as a going concern) relating to the consolidated financial statements of Adamis Pharmaceuticals Corporation and Subsidiaries (the Company), as of and for the periods ended December 31, 2014 and March 31, 2014, which report is included in this Annual Report on Form 10-K.

/s/ MAYER HOFFMAN MCCANN P.C.
San Diego, California
March 26, 2015

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis J. Carlo, certify that:

1. I have reviewed this transition report on Form 10-K of Adamis Pharmaceuticals Corporation for the nine-month period ended December 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and (15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting disclosure to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2015

By: /s/ Dennis J. Carlo
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert O. Hopkins, certify that:

1. I have reviewed this transition report on Form 10-K of Adamis Pharmaceuticals Corporation for the nine-month period ended December 31, 2014;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and (15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting disclosure to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2015

By: /s/ Robert O. Hopkins
Vice President, Finance and Chief Financial Officer

{1505500.DOCX;}

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

The undersigned, Dennis J. Carlo, the Chief Executive Officer of Adamis Pharmaceuticals Corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of my knowledge:

(1) the Company's Transition Report on Form 10-K for the nine-month period ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DENNIS J. CARLO
Dennis J. Carlo
Chief Executive Officer

Dated: March 26, 2015

This certification is being furnished to the SEC with this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

EXHIBIT 32.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

The undersigned, Robert O. Hopkins, as Vice President, Finance and Chief Financial Officer of Adamis Pharmaceuticals, Corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of my knowledge:

(1) the Company's Transition Report on Form 10-K for the nine-month period ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT O. HOPKINS
Robert O. Hopkins
Vice President and Chief Financial Officer

Dated: March 26, 2015

This certification is being furnished to the SEC with this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.