

NYSE Amex: PIP

Update

December 9, 2009

Rating: **Speculative Buy**
(Unchanged)

Recent Price: **\$1.55**
(12/8/09)

Price Target: **\$3.50**
(Changed from \$5.35)

PHARMATHENE, INC.

Biotechnology; Biodefense

MARKET DATA

52-Week High/Low	\$4.31 - \$0.85
Ave. Daily Volume (6-mos.)	60 K
Shares Outstanding	28.4 M
Inside Ownership	21.8%
Institutional Ownership	10%
Float	22.2 M
Short Interest (% of float)	< 1%

FINANCIAL DATA

Market Capitalization	\$44.0 M
- Cash & Equivalents	\$11.6 M
+ Long-term Debt	<u>\$16.6 M</u>
Enterprise Value	\$49.0 M
Book Value	\$ 6.5 M
Working Capital	\$15.8 M
Dividend Yield	Nil

Pro Forma balance sheet figures as of 9/30/09

	SALES	NET	CFO	PSL
2007A	\$14.6	(\$17.7)	(\$13.6)	(\$1.88)
2008A	\$32.9	(\$36.4)	(\$13.2)	(\$1.59)
1Q09A	\$ 5.5	(\$ 6.0)		(\$0.23)
2Q09A	\$ 8.0	(\$ 6.6)		(\$0.24)
3Q09A	\$ 6.8	(\$14.0)		(\$0.50)
4Q09E	\$ 7.8	(\$ 5.9)		(\$0.21)
2009E	\$28.2	(\$32.4)	(\$30.0)	(\$1.14)

Dollars in millions, except EPS; Fiscal year ends Dec.

VALUATION

Price/Sales	1.5 X
Price/CFO	Neg
Price/Trailing 12-mo. Earnings	Neg
Price/Book Value	6.8 X
Consensus EPS Estimate 2009	(\$0.81)
Forward PE	Neg
Consensus EPS Estimate 2010	(\$0.64)
Forward PE	Neg

PharmAthene is an early stage biopharmaceutical company engaged in the development and commercialization of vaccines and therapeutics for use against toxins that are potential agents of bioterrorism. The Company's second generation anthrax vaccine, SparVax, is a candidate for the U.S. Strategic National Stockpile established in 2004. PharmAthene is headquartered in Annapolis, MD and maintains a web site presence at www.pharmathene.com.

HIGHLIGHTS

- **Anthrax Aboutface.** BARDA terminated its RFP to develop and supply second generation anthrax vaccine to the National Strategic Stockpile citing technical reasons. In separate meetings with the only two known qualified bidders, PharmAthene and Emergent Biosolutions, BARDA representatives indicated a technical review panel had found no bidder could achieve FDA approval within the required eight-year time frame. (Page 2)
- **Dusting Off, Moving On.** During a conference call management exuded confidence while detailing its plans to continue development of SparVax. The Company is already planning to seek additional financial support under its current BARDA development contract and through an application under a modified BAA. Approximately \$30 million remains under the existing contracts for SparVax development. (Pages 2-3)
- **Valuation.** We conclude the value of PharmAthene's intellectual property relating to SparVax has changed, although we do not believe the value of the SparVax IP has dropped to zero. (Pages 4-5)
- **Rating and Price Target.** We reiterate our Speculative Buy rating on PharmAthene. While we expect stock to remain stalled over the next two to three months until greater clarity and confidence is restored, we view PIP shares as oversold in the wake of the RFP cancellation. We reset our price target at \$3.50. (Pages 5-6)

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ANTHRAX ABOUTFACE

Late Monday, December 7, 2009, the BioMedical Advanced Research and Development Authority (BARDA) terminated its request for proposals to develop and supply second generation anthrax vaccines to the National Strategic Stockpile citing technical reasons. In separate meetings with the only two known qualified bidders, PharmAthene and Emergent Biosolutions, Inc. (EBS: NYSE), BARDA representatives indicated a technical review panel had found no bidder could achieve FDA approval within the required eight-year time frame. The original RFP had specified a five-year approval time frame, but was later modified to eight years. BARDA representatives indicated that it would be taking a different funding approval to support development of advanced anthrax vaccines.

Concurrently, BARDA announced changes to an existing Broad Agency Announcement (BAA-BARDA-09-34) to “specifically solicit solutions for developing Recombinant Protective Antigen(rPA) anthrax vaccines. The end date for BAA was extended to February 1, 2010 (from December 31, 2009).

PharmAthene management indicates they were encouraged by BARDA representatives to apply for funding of the Company’s *SparVAX* second generation anthrax vaccine under the modified BAA. The BAA does not specify funding amounts or maximums and applications are not subject to competitive bidding processes. The BARDA representatives also suggested that PharmAthene could request additional support through a funding source under which PharmAthene has an existing BARDA contract. That contract had originally been funded by the National Institute of Health and transferred to BARDA in anticipation of an award under the now-defunct RFP.

Investors should also note that PharmAthene’s *SparVax* was not found deficient in terms of performance. Neither PharmAthene nor Emergent apparently met the exacting review of BARDA’s technical team. In a press release issued by Emergent following the BARDA decision, Emergent indicated its current first generation product, BioThrax, is now positioned to be the sole anthrax vaccine for the next eight years. Emergent was to have continued supplying BioThrax during the continued development of a second generation anthrax vaccine even if a contract had been awarded by BARDA under the cancelled RFP.

Questions remain about DHHS/BARDA long-term views and budget commitments given that the proposed and now defunct development and procurement contract would have afforded BARDA the opportunity to terminate the programs at any time if milestones were not met. Despite this recent development we conclude that the U.S. government has not entirely abandoned support for or interest in improved anthrax vaccines for the Strategic National Stockpile. BARDA is still apparently willing to dedicate significant financial resources to the development of a second generation anthrax vaccine that would that provide longer shelf life, require no refrigeration and can achieve effectiveness in fewer doses over a shorter period of time. Targets for the National Strategic Stockpile apparently still specify procurement of 75 million doses of a recombinant protective antigen (rPA) anthrax vaccine.

In our view, the differences are subtle between funding second generation anthrax vaccine development under the BAA vehicle versus a development and procurement contract. PharmAthene has requested a “debriefing meeting” with BARDA that should provide further insight into current views within DHHS about the National Strategic Stockpile in general and second generation anthrax vaccine in particular.

Dusting Off, Moving On

PharmAthene’s corporate knees have been skinned up, but during a conference call to discuss the BARDA decision, management exuded confidence while detailing its plans to continue development of *SparVax*. The Company is already planning to seek additional financial support under its current BARDA development contract and through an application under the modified BAA 09-34. Approximately \$30 million remains under the existing contracts for *SparVax* development, which is apparently sufficient to support current *SparVax* work.

PharmAthene’s CEO, David Wright, indicated that work on *SparVax* has gone on uninterrupted and continues on schedule under existing development contracts. Despite the delays in funding decisions by BARDA, there has apparently been no setback in the timeline to achieve FDA approval. Wright indicated that its original application included a six-year timeline to FDA approval and that the Company had

requested consideration of plans to shorten the time frame to approval. After BARDA imposed the requirement that PharmAthene bring its manufacturing capability to the U.S. from the U.K., BARDA representatives apparently encouraged PharmAthene to take advantage of the additional two years allowed in the RFP specifications to deal with an repercussions from the move in manufacturing.

Budgetary Politics?

Political factors may be playing a bigger role than science in BARDA's decision. In the absence of explanations by BARDA representatives, we speculate that the shift from a development/procurement contract to the broad agency announcement funding vehicle casts BARDA's budget and its contribution to the federal deficit in a better light. We note that both PharmAthene and Emergent had submitted and amended strategies to achieve FDA approval at BARDA's request. Those plans had apparently been reviewed by the FDA and accepted by BARDA. According to PharmAthene their plans for FDA approval fell within the eight year deadline. This suggests that the technical review panel consulted by BARDA to make its final decision.

That said, we note that this is not the first time that a federal agency cancelled a pending request for proposal at the eleventh hour. In March 2007, the Department of Health and Human Resources cancelled a request for proposals for a radiation antidote late in the process apparently because none of the companies that submitted bids met the agency's technical requirements. DHHS and BARDA subsequently issued several requests for information and sources, later issuing and cancelling a second RFP. BARDA finally issued yet another RFP in March 2009, which is apparently still pending.

DHHS and BARDA handling of its solicitation and contracting process can only be described as mercurial. In our view, the obscurity in which these agencies make decisions makes it is extremely difficult for companies interested in targeting the biodefense market created by public policies such as Project Bioshield to formulate viable strategic plans.

Congress passed legislation in 2004 to fund Project Bioshield with \$5.6 billion dollars over ten years. The Department of Health and Human Services (DHHS) was charged with establishing a National Strategic Stockpile of vaccines, antibiotics and therapeutics to meet the threat of bio-attack. A new office within DHHS, the Biomedical Advanced Research and Development Authority (BARDA), was implements the Congressional directive. So far DHHS reports letting out nine contracts to development and acquire so-called "biodefense countermeasures."

According to the DHHS website, the agency has put 17 countermeasures on the shelves aimed at 6 CBRN (Chemical, Biological, Radiological and Nuclear) agents. They claim to have enough small pox vaccine to inoculate the entire U.S. population. The second from the top on the priority list is anthrax, which many believe is really the powder of choice for the ambitious terrorist. DHHS claims there are 4.4 million courses of anthrax vaccine in the stockpile and that another 6.3 million courses are on order. This is far short of the goal of 25 million courses. Only 40 million individuals can be covered with the antibiotic regimens in the stockpile for those who become anthrax infected.

EARNINGS MODEL

We made no adjustments in our earnings model other than to retract our "award scenario." We believe PharmAthene could be successful in expanding the scope of work and funding award under the existing SparVax development contract with BARDA. Furthermore, the expansion of BAA 09-34 to include development proposals relating to recombinant protective antigen anthrax vaccines provides a second, perhaps larger funding source. During the conference call, PharmAthene's CEO, David Wright, suggested that award decisions under BAAs could be in as few as six months. Under this time frame a material funding decisions could be made within the next twelve months that would impact 2010 revenue.

In the meantime, PharmAthene management continues to express confidence that current cash and working capital resources are adequate to support operations providing the Company remains vigilant in containing costs. There is apparently no plan to reducing staffing and during the conference call Wright even suggested that the Company may hire additional personnel to accelerate work on *SparVax*.

Table I: Historic and Projected Contractual Revenue Sources (dollars in millions)

Contracts by: Year/Contractor/Compound Contract Type/Total Award	2006	2007	2008	YTD 2009	Remaining Award - 1	CER Estimates 2010E
2005 Army MRCC <i>Protexia</i> Preclinical Study \$2.7 mln.	\$0.3				\$ -0-	
2006 DOD <i>Protexia</i> Phase I \$41 mln. Post Phase I \$65 mln. 90,000 Doses \$113.0 mln.	\$1.5	\$14.0	\$19.5	\$ 6.8	\$ -0- \$ 65.0 \$113.0	\$ 5.0
2006 NIH <i>Protexia</i> Development \$1.7 mln.					\$ 0.3	
2007 NIAID & BARDA <i>Valortim</i> Development \$13.9 mln.		\$ 0.1	\$ 1.4	\$ 4.2	\$ 8.3	\$ 6.0
2003 DOD <i>Valortim</i> Development \$2.7 mln.		\$ 0.6			\$ 2.1	
2003 NIH <i>SparVax</i> Development \$118 mln. - 2			\$ 9.0	\$ 7.3	\$ 30.0	\$ 9.0
2005 & 2007 NIAID 3G <i>Anthrax</i> Development \$6.9 mln.					\$ 3.0	\$ 1.0
2004 NIH <i>RypVax</i> Development \$50.7 mln.			\$ 2.9	\$ 1.5	\$ 13.5	
2008 NIAID 3G <i>Anthrax</i> Development \$13.2 mln. Options \$70.7 mln.			\$ 0.1	\$ 0.6	\$ 12.5 \$ 70.7	\$ 6.0
2008 DOD <i>Protexia</i> Development \$1.6 mln.					\$ 1.6	\$ 1.0
2009 BARDA <i>Valortim</i> Development \$2.0 mln.					\$ 2.0	\$ 2.0
Totals	\$1.7	\$14.6	\$32.9	\$20.4	\$322.0	\$30.0

1 Estimated award remaining as of September 30, 2009.

2 Responsibility shifted from NIAID to BARDA in April 2009

Sources: Company Reports and Crystal Equity Research Estimates

VALUATION

We also have to conclude that the value of PharmAthene's intellectual property relating to *SparVax* has changed, although we do not believe the value of the *SparVax* intellectual property has dropped to zero. Barring a change in interest on the part of BARDA to eventually move to a second generation vaccine, time to procurement stage is probably largely unchanged given science rather than funding sources is the rate limiting factor in FDA approval. PharmAthene management has also provided strong assurances that development work has proceeded as planned and that not scientific or technical problems have arisen. In other words, we believe the time to FDA approval might be largely the same regardless of how financial support for Gen2 anthrax vaccine development would be received by PharmAthene.

However, in our view, a candidate under development through a BAA versus a development/procurement contract should be valued differently in as much as development and procurement contracts provide a more transparency even if the actual timeline to production is largely the same. The greater clarity in timeline and quantity in a development/procurement contract provides for more accurate estimates and encourages higher multiples even if income streams are the same.

The Contender Valuation Scenario

PharmAthene has five biodefense countermeasure candidates, all of which have demonstrated scientific merit in early clinical trials. We believe the U.S. biodefense market remains intact and the intellectual property underlying each of PharmAthene's candidates has value despite BARDA's history - v

Subsequent to BARDA's cancellation of the second generation anthrax vaccine RFP, PharmAthene's *Protexia* is the only one of the five that is the object of a development and procurement contract, in this case with the Department of Defense. The procurement portion of the contract is valued at \$113 million and provides for the basis of a discounted cash flow estimate of present value. We assumed a minimum profit margin of 5% and used a 25% discount rate.

A different approach must be taken to those candidates - *SparVax* and *Valortim* - for which there has been considerable progress in development but for which there is no specified timetable for a procurement order. Since no announced changes have been made to supply targets for the National Strategic Stockpile, we can assume a market for such countermeasures still exists. Market sizes for second generation anthrax vaccine and anthrax exposure antidotes can be estimated based on projected dosage targets. Previous estimates have suggested 75 million doses of rPA anthrax vaccine and 100 million treatments for anthrax exposure. We value these two market opportunities at \$2.0 billion and \$500 million, respectively. In the absence of detailed procurement plans, we can derive a future revenue value by making the assumption that PharmAthene's so-far strong science is rigorous enough to capture 10% of the market. This value can then be discounted for a present value.

These three sources of value calculated under the foregoing assumptions leads to a present value of \$72 million or \$2.54 per share at the current number of shares outstanding. In our view, this is a base case scenario.

The Leadership Valuation Scenario

The Contender valuation exercise did not include PharmAthene's third-generation anthrax vaccine or its *RypVax* plague candidate. PharmAthene appears to have put *RypVax* work on the back burner. In the case of Gen3 anthrax vaccine, calculations of value would be based on even more precarious assumptions as BARDA is apparently having difficulty making decisions related to Gen2. Also excluded in this valuation scenario is consideration for PharmAthene's accumulated development knowhow and expertise that makes it possible for the Company to pursue opportunities in and help shape the development of the biodefense industry. It also excludes consideration of the ability of PharmAthene's leadership to pursue acquisitions of additional candidates for the Company's portfolio. Finally, we excluded PharmAthene claims to royalties Siga-246, a small pox vaccine PharmAthene helped develop with Siga Pharmaceuticals (SIGA: Nasdaq). PharmAthene's claims are the subject of a pending lawsuit against Siga.

Considering PharmAthene as a biodefense market leader rather than simply a marginal participant as suggest in the foregoing "contender" valuation scenario. Under an alternative "leadership" scenario, the assumption is that PharmAthene captures material portions of its targeted markets. So rather than a nominal 10% market share, the assumption would be 50% or higher. This leads to a substantially higher present value near \$187 million or \$6.60 per share.

OUTLOOK

Our valuation exercises notwithstanding, we expect PIP shares to struggle in trading until greater clarity is available in the status of the U.S. government's anthrax procurement plans. BARDA has little credibility subsequent to the retraction of the Gen2 anthrax vaccine RFP. Investors rightfully lack of confidence in what is for all practical purposes the only near-term customer for PharmAthene's portfolio of biodefense countermeasures.

The award of the Gen2 anthrax vaccine contract was expected to be a catalysts for the stock as it would have propelled PharmAthene closer to production stage. Given the cancellation of the contract and the shift in funding platforms by BARDA, we now believe news of the U.S. government's intentions toward biodefense countermeasures and the National Strategic Stockpile could serve as catalysts for expanded valuation of PIP shares. Furthermore, expansion of the existing SparVax contract with BARDA and an award under the newly opened BAA for rPA anthrax vaccine could reignite interest and confidence in PharmAthene.

We believe the \$3.50 price level may develop as a line of resistance in future trading sessions since this was the prevailing price level when the BARDA announcement came through. The stock has fallen through a price level reached earlier in 2009, under extreme economic and stock market conditions. Accordingly, while we believe a higher price could be justified through the foregoing valuation exercise, we are setting a new price target at \$3.50.

We reiterate our Speculative Buy rating on PharmAthene. While we expect stock to remain stalled over the next two to three months until greater clarity and confidence is restored in the U.S. government's anthrax program and PharmAthene's position in it, we view PIP shares as oversold in the wake of the RFP cancellation.

Exhibit I: PIP Stock Chart



Source: StockCharts.com

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Table II: Historical and Projected Sales and Expenses

Dollars in Thousands	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09E	2009E	Base Case 2010E
Contract and grant revenue	14,625	5,819	10,914	10,644	5,481	32,858	5,522	8,071	6,830	7,750	28,173	30,000
Other income	19	21	-	32	-	53	-	-	-	-	-	-
Total revenue	14,644	5,840	10,914	10,676	5,481	32,911	5,522	8,071	6,830	7,750	28,173	30,000
Gross profit	14,644	5,840	10,914	10,676	5,481	32,911	5,522	8,071	6,830	7,750	28,173	30,000
Operating expenses:												
General & administrative	13,882	4,679	5,174	4,803	4,742	19,398	5,695	4,416	6,225	5,231	21,567	18,000
Research & development	16,560	5,877	11,184	9,414	5,337	31,812	5,147	9,465	7,610	7,363	29,585	28,500
Depreciation & amortization	705	196	240	206	172	814	192	199	247	250	888	1,000
Other	-	-	15,906	225	-	16,131	-	761	274	-	1,035	-
Total operating expenses	31,147	10,752	32,504	14,648	10,251	68,155	11,034	14,841	14,356	12,844	53,075	47,500
Operating income (loss)	(16,503)	(4,912)	(21,590)	(3,972)	(4,770)	(35,244)	(5,512)	(6,770)	(7,526)	(5,094)	(24,902)	(17,500)
Other income (expense)												
Interest income	1,123	472	362	201	190	1,225	104	93	62	100	359	150
Interest expense	(2,123)	(667)	(651)	(628)	(632)	(2,578)	(602)	(598)	(749)	(965)	(2,914)	(1,968)
Other, net	3,916	89	26	57	10	182	(3)	644	(5,750)	-	(5,109)	-
Total other income (expense)	2,916	(106)	(263)	(370)	(432)	(1,171)	(501)	139	(6,437)	(865)	(7,664)	(1,818)
Net income (loss)	(13,587)	(5,018)	(21,853)	(4,342)	(5,202)	(36,415)	(6,013)	(6,631)	(13,963)	(5,959)	(32,566)	(19,318)
Accretion relating to preferred stock	(4,134)	-	-	-	-	-	-	-	-	-	-	-
Income available to shareholders	(17,721)	(5,018)	(21,853)	(4,342)	(5,202)	(36,415)	(6,013)	(6,631)	(13,963)	(5,959)	(32,566)	(19,318)
Net EPS (loss), shareholders	\$ (1.44)	\$ (0.23)	\$ (0.99)	\$ (0.20)	\$ (0.20)	\$ (1.59)	\$ (0.23)	\$ (0.24)	\$ (0.50)	\$ (0.21)	\$ (1.18)	\$ (0.67)
Weighted shares outstand, diluted	9,443	22,087	22,087	22,096	25,500	22,943	26,009	28,057	28,077	28,000	27,536	29,000

Source: Company Reports and Crystal Equity Research Estimates

Table III: Selected Measures of Historical and Projected Sales and Expenses

Dollars in Thousands	2007	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09E	2009E	Base Case 2010E
Total revenue	14,644	5,840	10,914	10,676	5,481	32,911	5,522	8,071	6,830	7,750	28,173	30,000
Operating income (loss)	(16,503)	(4,912)	(21,590)	(3,972)	(4,770)	(35,244)	(5,512)	(6,770)	(7,526)	(5,094)	(24,902)	(17,500)
Net income (loss)	(13,587)	(5,018)	(21,853)	(4,342)	(5,202)	(36,415)	(6,013)	(6,631)	(13,963)	(5,959)	(32,566)	(19,318)
Income available to shareholders	(17,721)	(5,018)	(21,853)	(4,342)	(5,202)	(36,415)	(6,013)	(6,631)	(13,963)	(5,959)	(32,566)	(19,318)
Net EPS (loss), shareholders	\$ (1.44)	\$ (0.23)	\$ (0.99)	\$ (0.20)	\$ (0.20)	\$ (1.59)	\$ (0.23)	\$ (0.24)	\$ (0.50)	\$ (0.21)	\$ (1.18)	\$ (0.67)
Weighted shares outstand, diluted	9,443	22,087	22,087	22,096	25,500	22,943	26,009	28,057	28,077	28,000	27,536	29,000
SELECTED MEASURES:												
Sales growth, yr/yr	790.7%					124.7%					-14.3%	6.5%
Net income growth, yr/yr	10.2%					168.0%					10.6%	40.7%
EPS growth, yr/yr	94.6%					10.3%					25.5%	43.7%
Operating margin	-112.7%	-84.1%	-197.8%	-37.2%	-87.0%	-107.1%	-99.8%	-83.9%	-110.2%	-65.7%	-88.4%	-58.3%
EBIT margin	-78.3%	-74.5%	-194.3%	-34.8%	-83.4%	-102.8%	-98.0%	-74.7%	-193.5%	-64.4%	-105.2%	-57.8%
Net margin	-92.8%	-85.9%	-200.2%	-40.7%	-94.9%	-110.6%	-108.9%	-82.2%	-204.4%	-76.9%	-115.6%	-64.4%
Direct costs, % sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
G&A expense, % sales	94.8%	80.1%	47.4%	45.0%	86.5%	58.9%	103.1%	54.7%	91.1%	67.5%	76.6%	60.0%
R&D expense, % sales	113.1%	100.6%	102.5%	88.2%	97.4%	96.7%	93.2%	117.3%	111.4%	95.0%	105.0%	95.0%
Effective tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA, \$\$	(15,848)					(34,431)					(23,902)	(16,500)
EBITDA margin	-108.2%					-104.6%					-84.8%	-55.0%

Source: Company Reports and Crystal Equity Research Estimates

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ANALYST

Debra Fiakas, CFA is a seasoned, credentialed investment professional with a diversified and successful track record as a research analyst and as an investment banker. Her decade-plus career includes solid experience in all aspects of the equity capital markets with particular emphasis on emerging growth companies operating in the technology sectors. Ms. Fiakas is also the principal member of Crystal Equity Research, LLC.

ANALYST CERTIFICATION

The analyst who is primarily responsible for this research and whose name is listed first under Analysts above certifies that: 1) all of the views expressed in this research accurately reflect his or her professional views about any and all of the subject securities or issuers, and 2) no part of any of the analyst's compensation was, is or will be directly or indirectly related to the specific rating expressed by analyst in this research.

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Speculative Buy	2	40%	Unproven business model; catalysts exist to generate higher returns
Accumulate	2	40%	Long-term return potential above 10%; near-term catalysts may not exist
Hold	0	0%	Total return potential below 10%; an acceptable long-term holding
Sell	0	0%	Potential return greater than negative 10%; take profits or stem losses
Not Rated	1	20%	No rating
Total	5	100%	

*Research universe categorized by rating only; Crystal Equity Research provides no investment banking services.

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: PharmAthene, Inc. / PIP

<u>Report</u>	<u>Date</u>	<u>Price</u>	<u>Rating</u>	<u>Target Price</u>
Initial	9/26/08	\$1.78	Speculative Buy	\$5.35
Update	10/2/08	\$2.12	Speculative Buy	\$5.35
Update	11/14/08	\$0.85	Speculative Buy	\$5.35
Update	3/31/09	\$2.56	Speculative Buy	\$5.35
Update	4/30/09	\$2.53	Speculative Buy	\$5.35
Update	5/15/09	\$2.44	Speculative Buy	\$5.35
Update	7/13/09	\$2.24	Speculative Buy	\$5.35
Update	8/14/09	\$2.92	Speculative Buy	\$5.35
Update	11/18/09	\$3.50	Speculative Buy	\$5.35
Update	12/9/09	\$1.55	Speculative Buy	\$3.50

DISCLOSURES

<u>Name</u>	<u>Symbol: Exchange</u>	<u>Disclosures</u>
PharmAthene, Inc.	PIP: NYSE Amex	D, E

Disclosure Key

- A A member or employee of Crystal Equity Research, LLC serves on the board of directors of the company.
- B A controlling member of Crystal Equity Research, LLC has a beneficial interest in the common stock of the company.
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- E The company has a convertible issue outstanding.
- F The securities covered in this report can be optioned.
- G The securities covered in this report can be margined.

Crystal Equity Research, LLC received compensation from PharmAthene, Inc. to issue this report.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST. Inquiries may be made by telephone at **212-400-7519**, by electronic message to **info@crystalequityresearch.com** or by mail to **1040 Avenue of the Americas, Floor 24, New York, NY 10018**. Additional information about Crystal Equity Research is available at the firm's web site at **www.crystalequityresearch.com**.

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