

NYSE Amex: PIP

Update

March 24, 1010

Rating: **Speculative Buy**
(Unchanged)

Recent Price: **\$1.64**
(3/23/10)

Price Target: **\$3.50**
(Unchanged)

PHARMATHENE, INC.

Biotechnology; Biodefense

MARKET DATA

| | |
|-----------------------------|-----------------|
| 52-Week High/Low | \$4.31 - \$1.13 |
| Ave. Daily Volume (6-mos.) | 723 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 | \$46.6 M |
| - Cash & Equivalents | \$ 5.8 M |
| + Long-term Debt | <u>\$17.4 M</u> |
| Enterprise Value | \$58.2 M |
| Book Value | \$ 1.9 M |
| Working Capital | \$10.7 M |
| Dividend Yield | Nil |

Pro Forma balance sheet figures as of 12/31/09

| | SALES | NET | CFO | PSL |
|-------|--------|----------|-----------|----------|
| 2007A | \$14.6 | (\$17.7) | (\$13.6) | (\$1.88) |
| 2008A | \$32.9 | (\$36.4) | (\$13.2) | (\$1.59) |
| 2009A | \$27.6 | (\$32.3) | (\$29.0)E | (\$1.17) |
| 1Q10E | \$ 7.5 | (\$ 7.0) | | (\$0.24) |
| 2Q10E | \$ 7.5 | (\$ 7.0) | | (\$0.24) |
| 3Q10E | \$ 7.5 | (\$ 7.0) | | (\$0.24) |
| 4Q10E | \$ 7.5 | (\$ 7.0) | | (\$0.24) |
| 2010E | \$30.0 | (\$28.0) | (\$20.0) | (\$0.96) |

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

VALUATION

| | |
|--------------------------------|----------|
| Price/Sales | 1.7 X |
| Price/CFO | Neg |
| Price/Trailing 12-mo. Earnings | Neg |
| Price/Book Value | 24.5 X |
| Consensus EPS Estimate 2010 | (\$0.85) |
| Forward PE | Neg |
| Consensus EPS Estimate 2011 | NA |
| Forward PE | NA |

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

- Fourth Quarter 2009.** PharmAthene reported revenue of \$7.1 million in the fourth quarter 2009, bringing total revenue for the year to \$27.6 million. Revenue was generated principally on the execution on development contracts for SparVax second generation anthrax vaccine, Valortim anthrax infection therapy and Protexia nerve agent exposure treatment.
- Litigation.** Siga Technologies has filed a petition for summary judgment in PharmAthene suit against Siga for breach of contract relating to Siga-246 small pox vaccine. A response from the presiding judge is expected in May 2010. Depending upon the judge's response to Siga's petition, a trial date could be set for June or July 2010.
- SparVax.** PharmAthene has hit more snags in the form of contract and funding delays. A complaint filed by a competitor has led to the suspension of funding under a recently modified development contract with BARDA. A ruling is expected in June 2010.
- Rating and Outlook.** We reiterate our Speculative Buy rating and \$3.50 price target on PIP. Some investors may grow weary of the seemingly endless delays and competitive wrangling that characterizes the biodefense market. We expect PIP to continue trading with a range from \$1.60 to \$1.80 until resolution of one or more of the outstanding contractual issues facing PharmAthene.

Lead Analyst: Debra Fiakas, CFA
212-400-7519
dfiakas@crystalequityresearch.com

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SUMMARY

PharmAthene has hit more snags in the form of contract and funding delays. Nonetheless management remains confident that development timetables are not vulnerable and that existing contracts provide sufficient support to keep work on track for the Company's principal biodefense drug candidates. Along with fourth quarter 2009 results that were in-line with our expectations, PharmAthene reported forward movement on pending litigation against a former partner, Siga Technologies.

We reiterate our Speculative Buy rating and \$3.50 price target on PIP. Some investors may grow weary of the seemingly endless delays and competitive wrangling that characterize the biodefense market. We note that in only one situation is the performance of one of PharmAthene's drug candidates in question and in that case it is in combination with a third-party drug. Thus we remain confident in the value and merit of PharmAthene's intellectual property even if progress toward commercial stage remains uneven. Based on management's most recent guidance, product sales of the Company's *Valortim* anthrax treatment could begin as early as 2014.

RECENT DEVELOPMENTS

During a conference call following release of year-end 2009 results, management outlined the status of pending legal actions and an update on work on the Company's principal drug candidates.

Siga Technologies Law Suit

PharmAthene filed a lawsuit against Siga Technologies (SIGA: Nasdaq) for breach of contract relating to the development of a small pox vaccine known as ST-246. In 2006, PharmAthene attempted a partnership with Siga, but the relationship soured within a few months as Siga backed out of the deal. PharmAthene filed suit against Siga and the court case has been winding its way through the Delaware courts even as Siga awaits a final answer from BARDA on its bid to supply ST-246 small pox vaccine for the National Strategic Stockpile. At this time the presence of any other bidder in the small pox round are not known. The discovery phase has been concluded with the completion of expert testimony.

Last week Siga filed a petition for summary judgment in the lawsuit and a response from the presiding judge is expected in May 2010. Depending upon the judge's response to Siga's petition, a trial date could be set for June or July 2010. An earlier ruling on the admission of certain evidence appeared to give PharmAthene's argument a boost as apparently key evidence that Siga was attempting to hold back as privileged was determined to be material to the case.

At stake for PharmAthene are potential damages, which the Company's expert witness has pegged at \$1 billion. Alternative settlement scenarios were apparently part of the expert's affidavit, including the payment of royalties under the agreement that had been struck between Siga and PharmAthene in 2006.

SparVax Second Generation Anthrax Vaccine

PharmAthene appeared to have the wind at its back in terms of funding for its *SparVax* second generational recombinant protective antigen anthrax vaccine. After apparently explicitly inviting PharmAthene to submit a request for modification of an existing development contract, the Department of Health and Human Resources (DHHS), awarded PharmAthene an additional \$61.4 million in funding to support development work on *SparVax* through the end of 2012. The contract is administered by BARDA (Biomedical Advanced Research and Development Authority), an agency within DHHS. The incremental funding included an option for an additional \$17.0 million in options that could be exercised by BARDA if PharmAthene reaches certain milestones.

Last week an unnamed competitor filed a protest against the contract modification and as required by federal regulation BARDA has suspended the modification pending a review of the matter. The protest alleges that the contract modification should have been subject to competitive bidding. A ruling is expected on June 11, 2010. During the fourth quarter earnings conference call PharmAthene

management expressed confidence in the legality of the contract modification by BARDA and a favorable outcome for PharmAthene. Work on SparVax remains ongoing under the original contract. Management again provided assurances that work on SparVax has not been set back by delays in funding awards. We estimate the remaining portion of the contract is sufficient to support work through the end of June 2010.

PharmAthene had been a finalist in a competitive response to a request for proposals from BARDA that would have provided funding for development and procurement of a Gen2 anthrax vaccine for the National Strategic Stockpile. That RFP was cancelled in early December 2009, when BARDA altered its fundamental approach to supporting development and production of drug candidates for the Stockpile. In late January 2010, BARDA issued a Broad Agency Announcement (BAA-BARDA-09-34) as part of its new approach to funding that separates development and procurement support. PharmAthene submitted a white paper in early February 2010, and expects to be invited to following up with a formal proposal that would provide as much as \$150 million in funding to support SparVax development over the next five years.

A more recent BAA was issued by BARDA in February 2010, through which BARDA is soliciting proposals that focus broadly on vaccine development, antitoxins and therapeutics, antimicrobials and antivirals, and chemical agent countermeasures, among other pursuits relating to biodefense measures. A decision is expected under this BAA in September 2010. A pre-proposal conference is scheduled for March 26, 2010. PharmAthene management has expressed an interest in pursuing this as another funding alternative for SparVax.

PharmAthene completed Phase II human clinical trials that suggest SparVax provides protection against anthrax infection in three doses given over two months. The current first generation vaccine, BioThrax, produced by Emergent BioSolutions (EBS: NYSE) requires five doses over an 18-month period. PharmAthene believes that the manufacturing process used for SparVax offers both performance and cost advantages. Studies suggest the E.coli production process for SparVax promotes consistency and leads to fewer adverse reactions and lower cost. The estimated cost for SparVax is \$15.00 per dose or \$45 per person. This compares to the current cost of \$24 per dose and \$120 per person for the first generation BioThrax vaccine. Given that the goal for the National Strategic Stockpile is 75 million doses, use of SparVax could mean \$5.8 billion savings over using first generation BioThrax. We note that Emergent BioSolutions is also developing a second generation anthrax vaccine and claims to have successfully developed a vaccine that requires fewer doses over a shorter period of time.

Protexia Chemical Nerve Agent Antidote

PharmAthene is in talks with the Department of Defense (DOD) relating to ongoing work under a DOD development and procurement contract for the Company's antidote candidate for nerve agent exposure. The Company has completed Phase I trials, in which test subjects reported no serious adverse reactions. All of the work has been completed under the initial phase of the DOD contract, including achievement of a milestone that could trigger exercise of an option by the DOD for additional work. The option referred to as Milestone B, could be awarded by late 2010 or early 2011. Exercise of the option would provide PharmAthene an additional \$125 million in funding over the next five years. One element of the negotiation is an increase in expenses associated with achieving approval by the Food and Drug Administration (FDA) above the amount currently provided under the original contract award.

Valortim Anthrax Infection Treatment

During the earnings conference call management described "constant and open dialogue" with BARDA relating to development of the Company's candidate for a fully human monoclonal antibody to prevent and treat anthrax infection. Animal studies, including third-party research completed at the University of Maryland, have been encouraging. Recent data suggest that Valortim has the potential to both protect against infection when given before symptoms are evident and may increase survival rates even when given after symptoms occur. No adverse reactions were reported.

Nonetheless, a Phase I clinical trial involving the antibiotic Cipro resulted in two adverse reactions. While there was no loss of life, the study was placed on hold while the Company evaluates what may have triggered the adverse reaction. PharmAthene scientists are looking at the rate of infusion and allergic reactions to Cipro as possible explanations. Analysis is expected to be completed by third quarter 2010.

PharmAthene had been in negotiation with BARDA under an earlier BAA that could provide \$80 million to \$120 million in funding to support *Valortim* development over the next five years. Those negotiations were suspended pending a resolution of the issues arising from the Phase I study with Cipro. Management appears highly confident a resolution is possible and that BARDA could make an award under the BAA by late 2010 or early 2011. According to PharmAthene management, the importance of compatible administration with Cipro or any other antibiotic is not certain. We believe a determination by federal officials relating to antibiotics could impact the negotiations under the pending and suspended BAA.

FOURTH QUARTER AND YEAR-END 2009 RESULTS

PharmAthene reported revenue of \$7.1 million in the fourth quarter 2009, bringing total revenue for the year to \$27.6 million. Revenue was generated principally on the execution on development contracts for *SparVax* second generation anthrax vaccine, *Valortim* anthrax infection treatment and *Protexia* nerve agent exposure treatment. Revenue and associated expenses were impacted by the completion of the pre-clinical development phase for *Protexia* and a shift to the clinical evaluation phase.

The net loss for the year was \$32.3 million or \$1.17 per share, including a loss of \$5.7 million or \$0.20 per share in the fourth quarter. We had estimated a loss of \$0.21 per share on \$7.8 million in revenue for the quarter.

Cash Flow and Balances

The Company did not report total cash used by operations. However, we estimate a total of \$29.0 million was used during the year 2009. During the earnings conference call PharmAthene CFO Charles Reichert suggested the monthly cash burn had been reduced during the year to approximately \$1.5 million per month. Total cash on the balance sheet was \$5.8 million at the end of the year.

UPDATED EARNINGS MODEL

Our earnings model has been updated to reflect year-end 2009 results. We made no change in our 2010 revenue estimate of \$30.0 million. We view our top-line estimate as one scenario among many in terms of the pace of work under existing development contracts. There are a number of factors that could increase revenue, including the resumption of work under a suspended BARDA contract and the award of now pending funding applications and options.

As part of its guidance management cited a potential award of \$150 million over five years under the pending BAA to support second generation anthrax vaccine development (*SparVax*), \$80 million to \$100 million over five years under the pending BAA to support development a treatment for anthrax infection (*Valortim*), and exercise of a Department of Defense option valued at \$125 million over five years to conclude work on a nerve agent antidote (*Protexia*). We note that even with favorable decisions for all pending applications and contracts, the impact would not likely be material until 2011. Accordingly, we demonstrate a significant ramp in revenue in 2011 to \$80.0 million, assuming favorable decisions in each case. Our model includes no payments arising from a favorable verdict or settlement with Siga.

Our cost and expenses assumptions in 2010 and 2011 reflect recent spending rates. We expect general and administrative expenses to increase nominally during 2010 compared to the previous year. That said, a protracted trial period relating to the Siga lawsuit could lead to higher operating expenses than reflected in our model. Additionally our model does not reflect changes in the value of the Company's derivative securities.

The combination of our revenue and expense assumptions results in a net loss of \$27.8 million or \$0.96 per share in 2010 on \$30.0 million in revenue and a net loss of \$20.7 million or \$0.73 per share in 2011. We estimate PharmAthene could use \$20.0 million in cash in 2010 and \$14.0 million in 2011.

Our estimate of cash flow from operations differs significantly from guidance provided by management during the earnings conference call. Management expects to be cash neutral by 2011 and cash flow positive in 2012 and onward. Our model does not reflect contributions from favorable working capital changes. The Company currently has \$17.4 million in accounts and other receivables that could be converted to cash over the next year. We believe successful collections could significantly reduce the Company's cash usage over the next year.

OUTLOOK

We expect PIP to continue trading with a range from \$1.60 to \$1.80 until resolution of one or more of the outstanding issues facing PharmAthene. Based on comments from management and barring a scientific breakthrough or other strategic event, we do not expect to see catalytic announcements of any kind until May 2010, when the Delaware court is expected to rule in the case against Siga Technologies described above. Decisions relating to development contracts and funding options are not expected until later. The first such decision is expected from BARDA in June 2010 pursuant to an investigation of the merits of a contract modification that has come under dispute by a competitor. The remaining issues, two involving BARDA and one other the Department of Defense, are not expected until late 2010 or early 2011.

Exhibit I: PIP Stock Chart



Source: StockCharts.com

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Table I: Historical and Projected Sales and Expenses

| Dollars in Thousands | 2007 | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 1Q10E | 2Q10E | 3Q10E | 4Q10E | 2010E | 2011E |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contract and grant revenue | 14,625 | 32,858 | 5,522 | 8,071 | 6,830 | 7,127 | 27,550 | 7,500 | 7,500 | 7,500 | 7,500 | 30,000 | 80,000 |
| Other income | 19 | 53 | - | - | - | - | - | - | - | - | - | - | - |
| Total revenue | 14,644 | 32,911 | 5,522 | 8,071 | 6,830 | 7,127 | 27,550 | 7,500 | 7,500 | 7,500 | 7,500 | 30,000 | 80,000 |
| Operating expenses: | | | | | | | | | | | | | |
| General & administrative | 13,882 | 19,398 | 5,695 | 4,416 | 6,225 | 5,062 | 21,398 | 5,625 | 5,625 | 5,625 | 5,625 | 22,500 | 25,000 |
| Research & development | 16,560 | 31,812 | 5,147 | 9,465 | 7,610 | 7,998 | 30,220 | 7,875 | 7,875 | 7,875 | 7,875 | 31,500 | 72,000 |
| Depreciation & amortization | 705 | 814 | 192 | 199 | 247 | 234 | 872 | 250 | 250 | 250 | 250 | 1,000 | 1,000 |
| Other | - | 16,131 | - | 761 | 274 | - | 1,035 | - | - | - | - | - | - |
| Total operating expenses | 31,147 | 68,155 | 11,034 | 14,841 | 14,356 | 13,294 | 53,525 | 13,750 | 13,750 | 13,750 | 13,750 | 55,000 | 98,000 |
| Operating income (loss) | (16,503) | (35,244) | (5,512) | (6,770) | (7,526) | (6,167) | (25,975) | (6,250) | (6,250) | (6,250) | (6,250) | (25,000) | (18,000) |
| Other income (expense) | | | | | | | | | | | | | |
| Interest income | 1,123 | 1,225 | 104 | 93 | 62 | 10 | 269 | 15 | 15 | 15 | 15 | 60 | 150 |
| Interest expense | (2,123) | (2,578) | (602) | (598) | (749) | (888) | (2,837) | (716) | (716) | (716) | (716) | (2,863) | (2,863) |
| Other, net | 3,916 | 182 | (3) | 644 | (5,750) | 1,372 | (3,737) | - | - | - | - | - | - |
| Total other income (expense) | 2,916 | (1,171) | (501) | 139 | (6,437) | 494 | (6,305) | (701) | (701) | (701) | (701) | (2,803) | (2,713) |
| Net income (loss) | (13,587) | (36,415) | (6,013) | (6,631) | (13,963) | (5,673) | (32,280) | (6,951) | (6,951) | (6,951) | (6,951) | (27,803) | (20,713) |
| Accretion relating to preferred stock | (4,134) | - | - | - | - | - | - | - | - | - | - | - | - |
| Income available to shareholders | (17,721) | (36,415) | (6,013) | (6,631) | (13,963) | (5,673) | (32,280) | (6,951) | (6,951) | (6,951) | (6,951) | (27,803) | (20,713) |
| Net EPS (loss) | \$ (1.44) | \$ (1.59) | \$ (0.23) | \$ (0.24) | \$ (0.50) | \$ (0.20) | \$ (1.17) | \$ (0.24) | \$ (0.24) | \$ (0.24) | \$ (0.24) | \$ (0.96) | \$ (0.71) |
| Weighted shares outstanding, diluted | 9,443 | 22,943 | 26,009 | 28,057 | 28,077 | 28,155 | 27,575 | 29,000 | 29,000 | 29,000 | 29,000 | 29,000 | 29,000 |

Source: Company Reports and Crystal Equity Research Estimates

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

| Dollars in Thousands | 2007 | 2008 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | 1Q10E | 2Q10E | 3Q10E | 4Q10E | 2010E | 2011E |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total revenue | 14,644 | 32,911 | 5,522 | 8,071 | 6,830 | 7,127 | 27,550 | 7,500 | 7,500 | 7,500 | 7,500 | 30,000 | 80,000 |
| Operating income (loss) | (16,503) | (35,244) | (5,512) | (6,770) | (7,526) | (6,167) | (25,975) | (6,250) | (6,250) | (6,250) | (6,250) | (25,000) | (18,000) |
| Income available to shareholders | (17,721) | (36,415) | (6,013) | (6,631) | (13,963) | (5,673) | (32,280) | (6,951) | (6,951) | (6,951) | (6,951) | (27,803) | (20,713) |
| Net EPS (loss) | \$ (1.44) | \$ (1.59) | \$ (0.23) | \$ (0.24) | \$ (0.50) | \$ (0.20) | \$ (1.17) | \$ (0.24) | \$ (0.24) | \$ (0.24) | \$ (0.24) | \$ (0.96) | \$ (0.71) |
| Weighted shares outstanding, diluted | 9,443 | 22,943 | 26,009 | 28,057 | 28,077 | 28,155 | 27,575 | 29,000 | 29,000 | 29,000 | 29,000 | 29,000 | 29,000 |
| SELECTED MEASURES: | | | | | | | | | | | | | |
| Sales growth, yr/yr | 790.7% | 124.7% | | | | | -16.2% | | | | | 8.9% | 166.7% |
| Net income growth, yr/yr | 10.2% | 168.0% | | | | | 11.4% | | | | | 13.9% | 25.5% |
| EPS growth, yr/yr | 94.6% | 10.3% | | | | | 26.2% | | | | | 18.1% | 25.5% |
| Gross margin | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Operating margin | -112.7% | -107.1% | -99.8% | -83.9% | -110.2% | -86.5% | -94.3% | -83.3% | -83.3% | -83.3% | -83.3% | -83.3% | -22.5% |
| EBIT margin | -78.3% | -102.8% | -98.0% | -74.7% | -193.5% | -67.1% | -106.9% | -83.1% | -83.1% | -83.1% | -83.1% | -83.1% | -22.3% |
| Net margin | -92.8% | -110.6% | -108.9% | -82.2% | -204.4% | -79.6% | -117.2% | -92.7% | -92.7% | -92.7% | -92.7% | -92.7% | -25.9% |
| 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% | 0.0% |
| G&A expense, % sales | 94.8% | 58.9% | 103.1% | 54.7% | 91.1% | 71.0% | 77.7% | 75.0% | 75.0% | 75.0% | 75.0% | 75.0% | 31.3% |
| R&D expense, % sales | 113.1% | 96.7% | 93.2% | 117.3% | 111.4% | 112.2% | 109.7% | 105.0% | 105.0% | 105.0% | 105.0% | 105.0% | 90.0% |
| 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% | 0.0% |
| EBITDA, \$\$ | (15,848) | (34,431) | | | | | (25,135) | | | | | (24,000) | (17,000) |
| EBITDA margin | -108.2% | -104.6% | | | | | -91.2% | | | | | -80.0% | -21.3% |

Source: Company Reports and Crystal Equity Research Estimates

CRYSTAL EQUITY RESEARCH, LLC

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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.

CER REPORT RESEARCH UNIVERSE*

| | | | |
|-----------------|----------|-------------|---|
| Speculative Buy | 4 | 80% | Unproven business model; catalysts exist to generate higher returns |
| Accumulate | 1 | 20% | 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 | 0 | 0% | 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 |
| Update | 3/24/10 | \$1.65 | Speculative Buy | \$3.50 |

DISCLOSURES

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

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- F The securities covered in this report can be optioned.
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Crystal Equity Research, LLC received compensation from PharmAthene, Inc. to issue this report.

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