U S PHYSICAL THERAPY INC /NV
Form DEF 14A
April 07, 2016
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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

**U.S. Physical Therapy, Inc.**
**(Name of Registrant as Specified in its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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**U. S. PHYSICAL THERAPY, INC.**
**NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS**

**DATE:** Tuesday, May 17, 2016

**TIME:** 9:00 a.m. (CDT)

**PLACE:** 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042

**MATTERS TO BE ACTED ON:**

1. Election of ten directors to serve until the next annual meeting of stockholders.
2. Advisory vote to approve named executive officer compensation.
3. Approval of an amendment to the Amended and Restated 2003 Stock Incentive Plan to increase the number of shares of common stock authorized for issuance under such plan from 1,750,000 to 2,100,000 and to extend its term to March 25, 2026.
4. Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2016.
5. Consideration of any other matters that may properly come before the meeting or any adjournments.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF THE ELECTION OF EACH OF THE TEN NOMINEES FOR DIRECTOR, THE NON-BINDING APPROVAL OF THE NAMED EXECUTIVE OFFICER COMPENSATION, THE AMENDMENT TO THE AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN, AND THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016.**

The Board of Directors has set Friday, April 1, 2016, as the Record Date for the Annual Meeting of Stockholders to be held on May 17, 2016 (the Annual Meeting ). Only holders of our common stock of record at the close of business on that date will be entitled to notice of and to attend and vote at the Annual Meeting or any adjournments thereof. A complete list of stockholders will be available for examination at the Annual Meeting and at our offices at 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042, for a period of ten days prior to the Annual Meeting.

You are cordially invited to join us at the Annual Meeting. However, to ensure your representation at the Annual Meeting, we request that you return your signed proxy card at your earliest convenience, whether or not you plan to attend the Annual Meeting. Your proxy card will be returned to you if you are present at the Annual Meeting and request its return.

By Order of the Board of Directors,

Richard Binstein, Secretary

April 7, 2016

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**U.S. PHYSICAL THERAPY, INC.**
**1300 West Sam Houston Parkway South, Suite 300**
**Houston, Texas 77042**
**(713) 297-7000**

**PROXY STATEMENT**
**ANNUAL MEETING OF STOCKHOLDERS**
**MAY 17, 2016**

**Proxy Statement**

This Proxy Statement is being provided to stockholders in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Stockholders (the Annual Meeting ) of U.S. Physical Therapy, Inc. ( we , us , our , USPT or the Company ) to be held on Tuesday, May 17, 2016 at 9:00 a.m. (central time) at the Company s principal executive offices located at 1300 West Sam Houston Parkway, Suite 300, Houston, Texas, 77042.

**Proxy Solicitation**

Your vote and proxy are being solicited by our Board of Directors ( Board of Directors or Board ) for use at the Annual Meeting. This Proxy Statement and the enclosed proxy card are being mailed on behalf of our Board of Directors on or about April 11, 2016 to all of our stockholders of record as of the close of business on the record date, Friday, April 1, 2016 (the Record Date ).

Your presence at the Annual Meeting will not automatically revoke your proxy. You may, however, revoke your proxy at any time prior to its exercise by delivering to us another proxy bearing a later date, by attending the Annual Meeting and voting in person, or by filing a written notice of revocation before the Annual Meeting with Richard Binstein, our Secretary, at our principal executive offices located at 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042. If you receive multiple proxy cards, this indicates that your shares are held in more than one account, such as two brokerage accounts, or are registered in different names. You should vote each of the proxy cards received to ensure that all of your shares are voted.

**Your Vote is Important**

Whether or not you plan to attend the Annual Meeting, please take time to vote your shares by signing and returning a proxy card as soon as possible.

**Proposals To Be Voted On and the Board s Voting Recommendations**

The following four proposals are scheduled to be voted on at the Annual Meeting:

- Election of ten director nominees.
- Advisory vote to approve named executive officer compensation.
- Approve an amendment to the Company’s Amended and Restated 2003 Stock Incentive Plan (the Stock Incentive Plan ) to increase the number of shares of common stock authorized for issuance under such plan from 1,750,000 to 2,100,000 and to extend its term.
- Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2016.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF: THE ELECTION OF EACH OF THE TEN NOMINEES FOR DIRECTOR, THE NON-BINDING APPROVAL OF THE NAMED**

**EXECUTIVE OFFICER COMPENSATION, THE APPROVAL OF THE AMENDMENT TO THE COMPANY S AMENDED AND RESTATED 2003 STOCK INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES AUTHORIZED FOR ISSUANCE UNDER SUCH PLAN AND TO EXTEND THE TERM OF THE PLAN, AND THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2016.**

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**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 17, 2016:**

We have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a Notice of 2016 Annual Meeting of Stockholders, proxy card and Annual Report for the year ended December 31, 2015, and by notifying you of the availability of our proxy materials on the Internet. **The Notice of 2016 Annual Meeting of Stockholders, this Proxy Statement, proxy card and Annual Report for the year ended December 31, 2015 are available at http://www.cstproxy.com/usph/2016.** The materials on the website are searchable, readable and printable and the website does not have cookies or other tracking devices which identify visitors. To obtain directions to attend the Annual Meeting and vote in person, please contact Richard Binstein, our Secretary, at 800-530-6285 or via email at investorrelations@usph.com.

**Who Can Vote:**

All holders of record of our common stock at the close of business on April 1, 2016 are entitled to vote at the Annual Meeting. Holders of our common stock are entitled to one vote per share.

**Proxies:**

**Properly executed but unmarked proxies will be voted FOR the election of our ten director nominees, FOR the non-binding approval of named executive officer compensation, FOR the approval of the amendment to the Company s Amended and Restated 2003 Stock Incentive Plan to increase the number or shares authorized for issuance under such plan from 1,750,000 to 2,100,000 and to extend the term of the plan, and FOR the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2016.** If you withhold your vote for any of the director nominees, this will be counted as a vote **AGAINST** that nominee. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy card will vote your shares as directed by a majority of the Board of Directors.

**Quorum:**

Only shares of our common stock can be voted, with each share entitling its owner to one vote on all matters that come before the Annual Meeting. The close of business on Friday, April 1, 2016 was fixed by the Board of Directors as the Record Date for determination of stockholders entitled to vote at the Annual Meeting. The number of shares of our common stock outstanding on the Record Date was 12,502,726. The presence, in person or by proxy, of at least a majority of the shares outstanding on the Record Date is necessary to constitute a quorum at our Annual Meeting. Abstentions will be treated as present for determining a quorum at the Annual Meeting. If a broker holding your shares in street name indicates to us on a proxy card that the broker lacks discretionary authority to vote your shares for all matters at the meeting, we will not consider your shares as present or entitled to vote for any purpose. There is no cumulative voting in the election of directors and, as required by Nevada law, the directors will be elected by a plurality of the votes cast at the Annual Meeting.

**Cost of Proxy Solicitation:**

We will bear the cost of soliciting proxies. Some of our directors, officers and regular employees may solicit proxies, without additional compensation, personally or by telephone. Proxy materials will also be furnished without cost to brokers and other nominees to forward to the beneficial owners of shares held in their names.

**Questions and Additional Information:**

You may call our Chief Financial Officer, Lawrance W. McAfee, at 800-580-6285 or email us at investorrelations@usph.com if you have any questions. A copy of our Annual Report on Form 10-K for the year ended December 31, 2015 accompanies this Proxy Statement. **We have filed an Annual Report on Form 10-K for the year ended December 31, 2015 (the Form 10-K ) with the Securities and Exchange Commission (the SEC ). You may obtain additional copies of the Form 10-K by downloading it from our website at** www.usph.com, **by writing to U.S. Physical Therapy, Inc., 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas 77042, Attention: Richard Binstein, Secretary, or by emailing us at investorrelations@usph.com.**

**PLEASE VOTE — YOUR VOTE IS IMPORTANT**

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**PROPOSAL 1 — ELECTION OF DIRECTORS**

The accompanying proxy card, unless marked to the contrary, will be voted in favor of the election of Jerald L. Pullins, Christopher J. Reading, Lawrance W. McAfee, Mark J. Brookner, Harry S. Chapman, Dr. Bernard A. Harris, Jr., Marlin W. Johnston, Edward L. Kuntz, Reginald E. Swanson and Clayton K. Trier. These ten nominees are current directors standing for re-election at the Annual Meeting to serve until the next annual meeting of stockholders or until their successor is elected and qualified. Mr. Daniel C. Arnold, a current director of the Company, is not standing for reelection, but has indicated he will serve until the end of his term, which will expire at the Annual Meeting. Effective as of the date of the Annual Meeting, the Board of Directors has reduced the number of directors to ten, and consequently, Mr. Arnold s position will not be filled. The Governance and Nominating Committee, which consists solely of directors who are independent under the applicable New York Stock Exchange ( NYSE ) listing standards, recommended the nomination of the ten directors to the Board of Directors. Based on that recommendation, the Board nominated such directors for election at the Annual Meeting.

The Board of Directors has affirmatively determined that Messrs. Pullins, Brookner, Chapman, Johnston, Kuntz, Trier, and Dr. Harris are independent under the NYSE listing standards. Messrs. McAfee and Reading, who are both executive officers of the Company, and Mr. Swanson, who is an employee of the Company, were determined not to be independent under the NYSE listing standards. The nominees for director are:

| Nominees: | Age | Director Since | Position(s) Held |
|---|---|---|---|
| Jerald L. Pullins | 74 | 2003 | Chairman of the Board |
| Christopher J. Reading | 52 | 2004 | President, Chief Executive Officer and Director |
| Lawrance W. McAfee | 61 | 2004 | Executive Vice President, Chief Financial Officer and Director |
| Mark J. Brookner | 71 | 1990 | Director |
| Harry S. Chapman | 71 | 2010 | Director |
| Dr. Bernard A. Harris, Jr. | 59 | 2005 | Director |
| Marlin W. Johnston | 84 | 1992 | Director |
| Edward L. Kuntz | 71 | 2014 | Director |
| Reginald E. Swanson . | 62 | 2007 | Director (and an employee of STAR Physical Therapy, LP *) |
| Clayton K. Trier | 64 | 2005 | Director |

* STAR Physical Therapy, LP is a subsidiary of the Company.

**Director Biographies:**

*Jerald L. Pullins* has served on our Board since 2003, and was appointed Chairman of the Board on May 17, 2011. He is currently engaged in the development and management of private enterprises in the healthcare field. From October 2007 to the present, Mr. Pullins has been the Managing Member of SeniorCare Homes, LLC, which develops, owns and operates supervised, residential homes for senior citizens with Alzheimers, dementia and other memory impairment conditions. Since January 2013, Mr. Pullins has been Chairman and CEO of Baldwin Brothers Cremation, LLC, which owns and operates facilities providing cremation, funeral and related services. From 2007 to May 2013, he served as Chairman of the Board of Directors of Pet Partners, LLC, a private enterprise involved in the acquisition and management of primary care, small animal veterinary hospitals. Mr. Pullins was elected a director of Live Oak

Bank, Inc., a privately held financial institution, in 2011.

*Christopher J. Reading* was promoted to President and Chief Executive Officer and elected to our Board effective November 1, 2004. Prior to 2004, Mr. Reading served as our Chief Operating Officer since joining us in 2003. From 1990 to 2003, Mr. Reading served in various executive and management positions with HealthSouth Corporation where most recently he served as Senior Vice President of Operations responsible for over 200 facilities located in 10 states. Mr. Reading is a physical therapist.

*Lawrance W. McAfee* was promoted to Executive Vice President and elected to our Board effective November 1, 2004. Mr. McAfee also serves as our Chief Financial Officer, a position he has held since joining us in 2003. Mr. McAfee s prior experience includes having served as Chief Financial Officer of three public companies and President of two private companies.

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*Mark J. Brookner* has served on our Board since August 1998. Mr. Brookner is currently a private investor. He served as our Chief Financial Officer from 1992 to 1998 and as our Secretary and Treasurer during portions of that period.

*Harry S. Chapman* has served on our Board since August 30, 2010. Mr. Chapman is the Chairman and Chief Executive Officer of Chapman Schewe, Inc., a healthcare insurance and employee benefits consulting firm, and since January 1, 2013, also serves as Managing Director with Higginbotham, an insurance, risk management and financial services firm. Previously, he served as a Corporate Senior Vice-President and Managed Care Officer of CIGNA s South Central Region, with responsibility for HMO and PPO plans in several states. Mr. Chapman s experience also includes having served as head of EQUICOR s Health Plan and sales operation in Houston and as a Regional Vice-President for Lincoln National Insurance Company s Central Region.

*Dr. Bernard A. Harris, Jr.* joined our Board on August 23, 2005. Since 2001, Dr. Harris has been President and Chief Executive Officer of Vesalius Ventures, a venture capital firm that invests in early stage medical informatics and technology. Since 2006, Dr. Harris has served as a Class III director of Sterling Bancshares, Inc., a bank holding company. From 1996 to 2001, he served as Chief Medical Officer and Vice President for Space Hab, an aerospace company. Dr. Harris is a former astronaut, having completed two space shuttle missions. He completed his residency in Internal Medicine at the Mayo Clinic and trained as a flight surgeon at the Aerospace School of Medicine at Brooks Air Force Base.

*Marlin W. Johnston* has served on our Board since 1992. From 1980 through 1988, Mr. Johnston served as Commissioner of the Texas Department of Human Services. During 1992 and 1993, Mr. Johnston served as a management consultant to the Texas Department of Health and the Texas Department of Protective and Regulatory Services.

*Edward L. Kuntz* has served on our Board since August 26, 2014. Mr. Kuntz is the former Chairman and Chief Executive Officer of Kindred Healthcare, the largest diversified provider of post-acute care services in the United States. From 1998 through May 2014 he served as Chairman of the Board of Directors of Kindred and as Chief Executive Officer from 1998 to 2004. Mr. Kuntz is a director of Rotech Healthcare, Inc., one of the largest providers of home medical equipment and related products and services in the United States, where he serves as a member of the audit and board operating committees. Mr. Kuntz also serves as a director of American Electric Technologies, Inc., a provider of power delivery solutions to the energy industry in the U.S. and internationally and is Chairman of its Audit Committee.

*Reginald E. Swanson* joined our Board on September 6, 2007. Since 2007, Mr. Swanson has been the Managing Director of STAR Physical Therapy, LP, a subsidiary of the Company. Mr. Swanson is founder of STAR Physical Therapy, LLC, and from 1997 to 2007, was its president and managing member. He is a certified athletic trainer and has been involved with sports medicine and physical therapy for over 25 years.

*Clayton K. Trier* joined our Board on February 23, 2005. Mr. Trier is a private investor. He was a founder and former Chairman and Chief Executive Officer of U.S. Delivery Systems, Inc., from 1993 to 1997, which developed the first national network providing same-day delivery service. Before it was acquired in 1996, U.S. Delivery was listed for two years on the New York Stock Exchange. Mr. Trier was a founder of Digital Music Group, Inc. ( DMGI ) and from September 2005 through May 2008, served as its Chairman of the Board. DMGI, listed on the NASDAQ in 2006, acquired the digital rights to master recordings, converted the recordings to digital format and sold the music through online retailers. Since 2008, Mr. Trier has served as a director of St. Luke s Health System, an operator of several hospitals in the Houston, Texas metropolitan area. Since June 2015, Mr. Trier served as a director of Fenix Parts, Inc., a NASDAQ-listed company and a leading recycler and reseller of original equipment manufacturer automotive products, where he serves as Chairman of the Audit Committee.

The persons named on the proxy card will vote FOR all of the nominees for director listed above unless you withhold authority to vote for one or more of the nominees. Under current regulations, a broker is prohibited from voting for directors without receiving instructions from you. As required by Nevada law, nominees will be elected by a plurality of the votes cast at the Annual Meeting. Abstentions and broker non-votes will not be treated as a vote for or against any particular nominee and will not affect the outcome of the election of directors.

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All of the nominees have consented to serve as directors. Our Board has no reason to believe that any of the nominees will be unable to act as a director. However, if any director is unable to serve, the Board may designate a substitute. If a substitute nominee is named, the persons named on the proxy card will vote FOR the election of the substitute nominee.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF THE TEN NOMINEES FOR DIRECTOR NAMED IN THIS PROXY STATEMENT.**

## CORPORATE GOVERNANCE AND BOARD MATTERS

### Board Leadership Structure

Our Board is led by an independent Chairman and included seven other independent directors. Since Mr. Arnold is not standing for reelection, after the Annual Meeting we will have six independent directors. Mr. Reading, our Chief Executive Officer, Mr. McAfee, our Executive Vice President and Chief Financial Officer, and Mr. Swanson, an employee of one of our subsidiaries, STAR Physical Therapy, LP, are the members of the Board who are not independent. We believe the leadership structure enhances the accountability of the executive management to the Board. Because seven of the ten members of our Board nominated for re-election are considered independent, we believe the Board is independent from management. Further, separating the Chairman and Chief Executive Officer roles allows Mr. Reading to focus his efforts on running our business and managing the Company in the best interest of our stockholders while we are able to benefit from prior experiences of our independent Board members.

### Board Oversight of Risk

Our management is responsible for the Company s day-to-day risk management activities. Our Board, which functions in an oversight role in risk management, focuses on understanding the nature of the risks inherent in our business, including our operations, strategic directions and overall risk management systems. Our Board receives periodic updates on our business operations, financial results, strategy and specific risks related to our business. These updates are communicated through monthly correspondence and presentations by management at Board meetings and through discussions with appropriate management compliance and audit personnel at the meetings of the Board s Audit Committee and Compliance Committee.

In addition, we believe our approach to compensation practices and policies applicable to employees throughout our Company and those followed for our Named Executive Officers (as defined in the Compensation Discussion and Analysis section below) are not reasonably likely to have a material adverse effect on our Company. See Compensation Discussion and Analysis.

### Independent Directors

The Board has affirmatively determined the Messrs. Brookner, Chapman, Harris, Johnston, Kuntz, Pullins, and Trier have no relationship with the Company or its subsidiaries that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and are independent, as defined in the NYSE listing standards. Specifically, the Board determined that the foregoing seven nominees are independent as defined in the NYSE listing standards, and that the directors comprising the Company s Audit Committee are independent as defined in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (as amended, the Exchange Act ) and the directors comprising the Compensation Committee are independent as defined in Rule 10C-1 under the Exchange Act.

### Attendance at Board Meetings and Board Committees

The Board of Directors conducts its business through its meetings and through meetings of certain committees of the Board of Directors. The Board of Directors is comprised of a majority of independent directors as required by the NYSE listing standards and is required to meet at least four times per year. In addition, the independent directors periodically meet as a group in executive session, with the Chairman of the Board presiding over such meetings.

The Board has the following standing committees: (i) Governance and Nominating, (ii) Compliance, (iii) Compensation, and (iv) Audit. During 2015, the Board of Directors met four times, the Governance and Nominating Committee met one time, the Compliance Committee met four times, the Compensation Committee met

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ten times and the Audit Committee met seven times. With the exception of Mr. Arnold, each of our directors participated in at least 75% of the aggregate meetings of the Board of Directors and the committees on which he served. Mr. Arnold was unable to participate in all meetings due to health issues. Mr. Arnold is not standing for reelection, but has indicated he will serve until the end of his term, which will expire at the Annual Meeting.

These committees are constituted as follows:

***Governance and Nominating Committee***

The Governance and Nominating Committee currently consists of Messrs. Pullins (Chairman), Arnold, Harris and Trier, all of whom have been determined to be independent, as defined in the NYSE listing standards and the rules of the SEC. The function of the committee is to select, screen and recommend to the full Board nominees for election as directors, including any nominees proposed by stockholders who have complied with the procedures described below. The committee also has ongoing responsibility for oversight review of Board performance and ensuring each Board member s continuing commitment to the Board and the Company s goals and objectives. Additional functions include regularly assessing the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the committee will consider various potential candidates for director. Candidates may come to the attention of the committee through current Board members, stockholders, or other persons. The committee may also hire third parties to identify, to evaluate, or to assist in identifying or evaluating potential nominees should it be determined necessary. The committee is required to meet at least annually and operates under a written charter, a copy of which is available on our website at www.usph.com.

*Nomination Criteria.* In its consideration of Board candidates, the Governance and Nominating Committee considers the following criteria: the candidate s general understanding of the health care sector, marketing, finance and other disciplines relevant to the success of a publicly-traded company; strategic business contacts and regard or reputation in the community, other board affiliations, industry and civic affairs; financial, regulatory and business experience; integrity, honesty and reputation; size of the Board of Directors; and regulatory obligations. In the case of incumbent directors whose terms of office are set to expire, the committee reviews each such director s overall service to the Company during said director s terms, including the number of meetings attended, level of participation, quality of performance, and whether the director continues to meet the independence standards set forth in the applicable SEC rules and regulations and the NYSE listing standards. In the case of new director candidates, the questions of independence and financial expertise are important to determine which roles can be performed by the candidate, and the committee preliminarily determines whether the candidate meets the independence standards set forth in the SEC rules and regulations and the NYSE listing standards, and the level of the candidate s financial expertise. Candidates are first screened by the committee, and if approved by the committee, then they are screened by other members of the Board. The full Board approves the final nomination(s) based on recommendations from the committee. The Chairman of the Board, acting on behalf of the full Board, will extend the formal invitation to become a nominee of the Board of Directors. Qualified candidates for membership on the Board will be considered without regard to race, color, religion, sex, ancestry, national origin or disability.

*Stockholder Nomination Procedures.* The Governance and Nominating Committee will consider director candidates recommended by the stockholders. Generally, for a stockholder of the Company to make a nomination, he or she must give written notice to our Secretary so that such notice is received at least 120 calendar days prior to the first anniversary of the date the Company s proxy statement is sent to the stockholders in connection with the previous year s annual meeting of stockholders. If no annual meeting of stockholders was held in the previous year (or if the date of the annual meeting of stockholders was changed by more than 30 calendar days from the date of the previous year s annual meeting), the notice must be received by the Company within a reasonable period prior to the time the Company begins to print and send its proxy materials for the applicable annual meeting. The stockholder s notice must

set forth as to each nominee: (i) the name, age, business address and residence address of such nominee, (ii) the principal occupation or employment of such nominee, (iii) the number of shares of our common stock which are beneficially owned by such nominee, and (iv) any other information relating to such nominee that may be required under federal securities laws to be disclosed in solicitations of proxies for the election of directors (including the written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serve as a director if elected). The stockholder s notice must also set forth as to the stockholder giving notice: (a) the name and address of such stockholder and (b) the number of shares of our common stock which are beneficially owned by such stockholder.

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If the information supplied by the stockholder is deficient in any material aspect or if the foregoing procedure is not followed, the chairman of the applicable annual meeting may determine that such stockholder s nomination should not be brought before the meeting and that such nominee is not eligible for election as a director of the Company. The committee will not alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder.

No stockholder nominations were received in connection with the Annual Meeting.

***Compliance Committee***

The Compliance Committee consists of five independent directors. The current members of the committee are Messrs. Kuntz (Chairman), Brookner, Chapman, Johnston, and Dr. Harris, all of whom have been determined to be independent, as defined in the NYSE listing standards. The committee has general oversight of our Company s compliance with the legal and regulatory requirements regarding healthcare operations. The Chairman of the committee is provided with information regarding calls received on the Company s compliance hotline and reports findings to the committee. The committee relies on the expertise and knowledge of management, especially our Chief Compliance Officer, who regularly communicates with the Chairman of the committee, and other compliance, management, operations and/or legal personnel. The committee meets at least four times a year and as necessary to carry out its responsibilities and reports periodically to the Board of Directors regarding its actions and recommendations. The committee reviews and assesses the activities and findings of clinic internal audits, reviews reports of material noncompliance and reviews and approves corrective actions proposed by management. In addition, the Compliance Committee oversees the implementation and execution of the Company s Corporate Integrity Agreement.

***Compensation Committee***

The current members of the Compensation Committee are Messrs. Chapman (Chairman), Pullins and Trier, all of whom have been determined to be independent, as defined in the NYSE listing standards and the rules of the SEC. As more fully described in the Compensation Committee Charter, which can be found on our website at www.usph.com, the committee is responsible for, among other things:

- establishing goals and objectives relevant to incentive compensation awards (annual and long-term) for the Chief Executive Officer and other senior executive officers of the Company;
- evaluating the Chief Executive Officer’s and other senior executive officers’ performance and the overall corporate performance in light of these goals and objectives and approve any incentive compensation for such executives;
- determining any periodic adjustments to be made in the Chief Executive Officer’s and other senior executive officers’ base salary level based on the committee’s evaluation thereof;
- reviewing, for officers of the Company other than the senior executives, the proposed salary levels and annual adjustments thereto and the incentive compensation plans formulated by senior executive management and the annual bonus payments to be made thereunder, and providing input and advice to senior executive management with respect to these compensation decisions;
- approving all executive perquisites and any special benefit plans to be made available to senior executive officers;
- advising on compensation of non-employee members of the Board;
- administering the Company’s equity compensation plans and approving grants to executive officers, employees, directors, and consultants under such plans: and
- reviewing and approving any amendments to employment agreement for the Named Executive Officers.

The committee may delegate its responsibilities to subcommittees of one or more directors. The committee meets at least two times a year to carry out its responsibilities. The Named Executive Officers and other senior executives are not permitted to be present during any deliberations or voting with respect to his or her compensation. The committee s processes and procedures for determining executive compensation are described below under Compensation Discussion and Analysis. Each member of the Compensation Committee has been determined to be independent , as defined in the NYSE listing standards and the rules of the SEC.

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***Audit Committee***

The Audit Committee currently consists of Messrs. Trier (Chairman), Brookner, Harris, Johnston and Pullins. Our Board of Directors has determined that Messrs. Brookner, Trier and Pullins are audit committee financial experts under the rules of the SEC. As more fully described in the Audit Committee Charter, which can be found on our website at www.usph.com, the committee is responsible for, among other things:

- overseeing our financial reporting processes, including the quarterly reviews and annual audits of our financial statements by the independent auditors;
- the appointment, compensation, retention and oversight of the work of the independent auditors;
- pre-approving audit and permitted non-audit services, and related fees and terms of engagement, provided by the independent auditors; and
- reviewing with management and independent auditors issues relating to disclosure controls and procedures and internal control over financial reporting.

The Audit Committee Charter requires that the committee consist of at least three independent members of our Board and that the committee meet at least four times per year on a quarterly basis. At each regular Audit Committee meeting, the committee meets privately with management and with the independent auditors. Each member of the Audit Committee has been determined to be independent, as defined in the NYSE listing standards and the rules of the SEC.

**Codes of Conduct and Procedures Regarding Related Party Transactions**

***Codes of Conduct***

Our Board has approved and we have adopted a Code of Business Conduct and Ethics for our officers and all employees, an additional Code of Business Conduct and Ethics which is applicable to our directors, and Corporate Governance Guidelines. The Codes and Corporate Governance Guidelines are available on our website at www.usph.com. Our Board, or a committee of its independent members, is responsible for reviewing and approving or rejecting any requested waivers to the Codes, as such waivers may apply to our directors and officers. Neither the Board, nor a committee of its independent members, received any requests for waivers or amendments to the Codes in 2015, and none were granted. Any waivers of these Codes for directors, officers and employees will be disclosed in a Form 8-K filed with the SEC, which will be available on the SEC s website at www.sec.gov. The Code applicable to directors requires each director to disclose to the Board any interest he or she may have in a potential transaction, arrangement or agreement to which the Company is or will be a party, and refrain from participating directly or indirectly in the transaction unless the Board approves such participation with all interested directors abstaining from the consideration and deliberation of, and any votes concerning, such matter.

Our Board has further approved and we have adopted an additional Code of Business Conduct and Ethics, applicable to our Chief Executive Officer, Chief Financial Officer and senior financial officers, relating to dealings with our auditors and the preparation of our financial statements and other disclosures made to the public under SEC rules and regulations. This Code is available on our website at www.usph.com. The Board, or a committee of its independent members, is responsible for reviewing and approving or rejecting any requested waivers from, and amendments to, this Code. Neither the Board, nor a committee of its independent members, received any requests for waivers or amendments to the Code in 2015, and none were granted. Any waivers from, and amendments to, the Code will be disclosed in a Form 8-K filed with the SEC, which will be available on the SEC s website at www.sec.gov. The Code requires the officers to disclose directly to the Audit Committee any conflicts of interest, including any material transaction or relationship involving a potential conflict of interest.

***Certain Relationships and Related Transactions***

The charter of the Audit Committee requires that the Audit Committee review and approve all insider and affiliated party transactions.

**Communications with the Board of Directors and Attendance at Annual Meeting**

The Board of Directors maintains an informal process for stockholders to communicate with the Board of Directors. Stockholders wishing to communicate with the Board of Directors should send any communication to our Secretary, at our principal executive offices, 1300 West Sam Houston Parkway South, Suite 300, Houston, Texas

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77042. Any such communication must state the number of shares beneficially owned by the stockholder making the communication. The Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

The Board of Directors also maintains an informal process for interested persons to communicate directly with the independent directors who periodically meet as a group in executive session. In the event an interested party wants to communicate directly with our Chairman (who presides over the executive sessions) or with the independent directors as a group, the interested party should send such communication to the attention of Chairman of the Board, labeled CONFIDENTIAL , to our principal executive offices.

Although the Company does not have a formal policy requiring them to do so, all of the members of our Board of Directors are encouraged to attend our annual meeting of stockholders. At the 2015 annual meeting, all directors were in attendance.

**Compensation of Directors**

During 2015, each of our non-employee directors received $10,000 per quarter ( Retainer Fee ) for serving as a member of our Board of Directors. In addition, each of our non-employee directors is paid $1,250 (effective July 1, 2015) for each committee meeting attended in person or telephonically (hereinafter referred to as Meeting Fees ). In addition to the Retainer Fee, effective as of July 1, 2015, the Chairman of our Board of Directors, who is also the Chairman of our Governance and Nominating Committee, is paid an annual fee of $55,000, the Chairman of the Audit Committee is paid an annual fee of $18,000, the Chairman of the Compensation Committee is paid an annual fee $14,000, and the Chairman of the Compliance Committee is paid an annual fee of $12,000 (hereinafter all referred to as Chairman Fees ). Directors are also reimbursed for their out-of-pocket travel and related expenses incurred in attending Board and committee meetings. Directors who are also our employees are not compensated separately for serving on our Board. In addition, in May 2015, each of the non-employee directors elected at the 2015 annual meeting received a grant of 2,750 shares of restricted stock, under the terms of the Company s Amended and Restated 2003 Stock Incentive Plan ( Stock Incentive Plan ), vesting quarterly through April 1, 2016.

**Director Compensation Table**

The following table discloses the cash, equity awards and other compensation earned, paid or awarded, as the case may be, to each of the Company s directors who are not Named Executive Officers during the fiscal year ended December 31, 2015.

| Name | Fees Earned or Paid in Cash (1) | Stock Awards (2) | Option Awards | Non-equity incentive plan compensation | Change in Pension Value and Nonqualified Deferred Compensation Earnings | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|
| Daniel C. Arnold | $ 41,000 | $ 136,043 | $ — | $ — | $ — | $ — | $ 177,043 |
| Mark J. Brookner | $ 52,500 | $ 136,043 | $ — | $ — | $ — | $ — | $ 188,543 |
| Harry S. Chapman | $ 68,500 | $ 136,043 | $ — | $ — | $ — | $ — | $ 204,543 |
| | $ 53,500 | $ 136,043 | $ — | $ — | $ — | $ — | $ 189,543 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Dr. Bernard A. Harris, Jr. | | | | | | | |
| Marlin W. Johnston | $ 52,500 | $ 136,043 | $ — | $ — | $ — | $ — | $ 188,543 |
| Edward L. Kuntz | $ 55,500 | $ 136,043 | $ — | $ — | $ — | $ — | $ 191,543 |
| Jerald L. Pullins. | $ 115,000 | $ 136,043 | $ — | $ — | $ — | $ — | $ 251,043 |
| Reginald E. Swanson (3) | $ — | $ — | $ — | $ — | $ — | $ 115,295 | $ 115,295 |
| Clayton K. Trier. | $ 78,000 | $ 136,043 | $ — | $ — | $ — | $ — | $ 214,043 |

(1) Includes Retainer Fees, Chairman Fees and Meeting Fees.

(2) Stock awards were granted as restricted stock under the terms of the Stock Incentive Plan. The restrictions lapsed as to 687 shares on each of July 1, 2015 and January 1, 2016, and 688 on each of October 1, 2015 and April 1, 2016. Amounts shown are the grant date fair value of the awards computed in accordance with FASB ASC Topic 718, which amounted to $49.47 per share. Assumptions used in the calculation of these amounts are included in Note 12 — Equity Based Plans to our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 4, 2016.

(3) Other compensation represents salary and car allowance received by Mr. Swanson in his role as an employee of STAR Physical Therapy, LP, a subsidiary of the Company. During 2015, Mr. Swanson did not receive any additional compensation for being a director.

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## STOCK OWNERSHIP

### Stock Owned by Directors, Nominees and Executive Officers

The following table shows the number and percentage of shares of our common stock beneficially owned by our directors, Named Executive Officers (as defined under Compensation Discussion and Analysis ) and all directors and executive officers as a group as of April 4, 2016. Each person has sole voting and investment power for the shares shown below unless otherwise indicated.

| Name of Beneficial Owner | Number of Shares Owned (1) | | Percent of Common Stock |
|---|---|---|---|
| Directors: | | | |
| Jerald L. Pullins | 24,596 | | 0.2 % |
| Chairman of the Board | | | |
| Christopher J. Reading | 116,877 | (2) | 0.9 % |
| President, Chief Executive Officer and Director | | | |
| Lawrance W. McAfee. | 45,212 | (3) | 0.4 % |
| Executive Vice President, Chief Financial Officer and Director | | | |
| Daniel C. Arnold | 128,654 | | 1.0 % |
| Vice Chairman of the Board | | | |
| Mark J. Brookner | 53,750 | (4) | 0.4 % |
| Harry S. Chapman | 33,750 | | 0.4 % |
| Dr. Bernard A. Harris, Jr | 34,834 | | 0.4 % |
| Marlin W. Johnston | 36,849 | | 0.3 % |
| Edward L. Kuntz | 5,750 | | — |
| Reginald E. Swanson | 6,881 | (5) | 0.1 % |
| Clayton K. Trier | 11,250 | | 0.1 % |
| Non-Director Executive Officers: | | | |
| Glenn D. McDowell | 42,771 | (3) | 0.3 % |
| Chief Operating Officer | | | |
| All directors and executive officers as a group (12 persons) | 541,174 | | 4.3 % |

(1) There are no outstanding stock options.

(2) Includes 68,825 shares of common stock granted as restricted stock in which the restrictions will lapse as follows:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 7/1/2016 | 8,095 | 4/1/2017 | 5,795 | 4/1/2018 | 3,920 | 4/1/2019 | 1,420 |
| 10/1/2016 | 8,095 | 7/1/2017 | 5,795 | 7/1/2018 | 3,920 | 7/1/2019 | 1,420 |
| 1/1/2017 | 8,095 | 10/1/2017 | 5,795 | 10/1/2018 | 3,920 | 10/1/2019 | 1,420 |
| | | 1/1/2018 | 5,795 | 1/1/2019 | 3,920 | 1/1/2020 | 1,420 |

(3) Includes 34,417 shares of common stock granted as restricted stock in which the restrictions will lapse as follows:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 7/1/2016 | 4,047 | 4/1/2017 | 2,897 | 4/1/2018 | 1,960 | 4/1/2019 | 710 |
| 10/1/2016 | 4,047 | 7/1/2017 | 2,897 | 7/1/2018 | 1,960 | 7/1/2019 | 710 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1/1/2017 | 4,047 | 10/1/2017 | 2,897 | 10/1/2018 | 1,960 | 10/1/2019 | 710 |
| | | 1/1/2018 | 2,905 | 1/1/2019 | 1,960 | 1/1/2020 | 710 |

(4) Includes 3,750 shares of common stock held in a trust of which Mr. Brookner is the trustee.

(5) These shares of our common stock are held by the Regg E. Swanson Revocable Trust of which Mr. Swanson is the trustee and beneficiary.

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**Stock Owned by Certain Beneficial Holders**

The table below shows the ownership of shares of common stock by persons known to us to beneficially own more than 5% of our common stock. The information is based on the most recent statements filed with the SEC on Schedule 13G, submitted to us by those persons.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | | Percent of Common Stock Outstanding |
|---|---|---|---|
| BlackRock, Inc<br>55 East 52nd Street<br>New York, NY 10055 | 1,275,109 | (1) | 10.2 % |
| RBC Global Asset Management (U.S.) Inc<br>50 South Sixth Street<br>Minneapolis, MN 55402 | 889,389 | (2) | 7.1 % |
| Renaissance Technologies LLC.<br>800 Third Avenue<br>New York, NY 10022 | 691,200 | (3) | 5.5 % |
| Neuberger Berman Group LLC.<br>605 Third Avenue<br>New York, NY 10158 | 646,352 | (4) | 5.2 % |
| Epoch Investment Partners, Inc.<br>399 Park Avenue<br>New York, NY 10022 | 644,504 | (5) | 5.2 % |

(1) BlackRock, Inc. has sole voting power over 1,248,176 of the shares and sole dispositive power over 1,275,109 of the shares as disclosed in a Schedule 13G/A filed on January 8, 2016.Various persons associated with BlackRock, Inc. have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the Company. No one person’s interest in the common stock of the Company is more than five percent of the total outstanding common stock.

(2) RBC Global Asset Management (U.S.) Inc. has shared voting power over 792,221 of the shares and shared dispositive power over 889,389 of the shares as disclosed in a Schedule 13G/A filed on February 10, 2016.

(3) Renaissance Technologies, LLC ( RTC ) and Renaissance Technologies Holdings Corporation ( RTHC ) have sole voting power over 691,200 and sole dispositive power over 691,200 shares as disclosed in a Schedule 13G/A filed on February 11, 2016. RTHC has a majority ownership of RTC. Certain funds and accounts managed by RTC have the right to receive dividends and proceeds from the sale of the securities.

(4) Neuberger Berman Group LLC ( NB Group ) and Neuberger Berman Investment Advisers LLC ( NB Advisers ) have shared voting and dispositive power over 646,352 shares as disclosed in a Schedule 13G filed on February 9, 2016. NB Group and its affiliates may be deemed to be beneficial owners of securities for purposes of Exchange Act Rule 13d-3 because they or certain affiliated persons have shared power to retain, dispose of or vote the securities of unrelated clients. NB Group or its affiliated persons do

not, however, have any economic interest in the securities of those clients. The clients have the sole right to receive and the power to direct the receipt of dividends from or proceeds from the sale of such securities. No one client has an interest of more than 5% of the issuer.

With regard to the shared voting power of the 646,352 shares, NB Group may be deemed to be the beneficial owner for purposes of Rule 13d-3 because certain affiliated persons have shared power to retain, dispose of and vote the securities. In addition to the holdings of individual advisory clients, NB Advisers serves as investment manager of NB Group s various registered mutual funds which hold such shares. The holdings belonging to clients of Neuberger Berman Trust Co N.A., Neuberger Berman Trust Co of Delaware N.A., NB Alternatives Advisers LLC, Neuberger Berman LLC and NB Advisers are also aggregated to comprise the holdings referenced herein.

In addition to the shares Neuberger entities also have shared power to dispose of the shares which includes shares from individual client accounts over which Neuberger Berman LLC or NB Advisers have shared power to dispose but do not have voting power over these shares. The holdings of Neuberger Berman Trust Co N.A., Neuberger Berman Trust Co of Delaware N.A., NB Alternatives Advisers LLC, Neuberger Berman LLC and NB Advisers are also aggregated to comprise the holdings referenced herein.

(5) Epoch Investment Partners, Inc. have sole voting and dispositive power over 644,504 shares as disclosed in a Schedule 13G filed on February 11, 2016.

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**EXECUTIVE OFFICERS**

The current executive officers of the Company are as follows:

| Name | Position |
|---|---|
| Christopher J. Reading | President and Chief Executive Officer |
| Lawrance W. McAfee | Executive Vice President and Chief Financial Officer |
| Glenn D. McDowell | Chief Operating Officer |

For information concerning Messrs. Reading and McAfee see Proposal 1 — Election of Directors above.

*Glenn D. McDowell,* 59, was promoted to Chief Operating Officer effective January 24, 2005. Mr. McDowell served as our Vice President of Operations overseeing the west region since joining us in October 2003 until January 2005. From 1996 to 2003, Mr. McDowell was employed by HealthSouth Corporation, a provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services. His most recent position with HealthSouth Corporation was Vice President of Operations — West Ambulatory Division where he oversaw the operations of more than 165 outpatient rehabilitation and other facilities. Mr. McDowell is a physical therapist.

**COMPENSATION DISCUSSION AND ANALYSIS**

The Compensation Committee, composed entirely of independent directors, administers the Company s executive compensation program. The role of the committee includes establishing and overseeing compensation and benefit programs for our executive officers including the Chief Executive Officer ( CEO ) and the other executive officers listed in the Summary Compensation table below (the Named Executive Officers ). The committee also evaluates the performance of the CEO and reviews the performance of our other executive officers every year. Based upon these performance evaluations, the committee establishes compensation for the CEO and other executive officers, and executive management consults with the committee with respect to compensation levels and plans for key employees. Elements of our executive compensation program include: base salary; annual cash incentive compensation; long-term equity incentive awards; post-employment benefits; and benefits and perquisites.

In establishing and overseeing the program, the committee s goal is to ensure that we can attract and retain superior management talent critical to our long-term success. To ensure that executive compensation is aligned with the performance of the Company and the interests of its stockholders, a significant portion of compensation available to executives is linked directly with financial results and other factors that influence stockholder value.

**Compensation Support**

Our management, our Human Resources department and our outside consultants, from time to time, support the committee in discharging its duties. In performing duties relating to the development and administration of our executive compensation program, our Human Resources department and the committee periodically review matters that relate to the competitive position, value and design of our short-term and long-term incentive compensation plans, performance goals and rewards available at various levels of performance.

Under its charter, the committee also may retain, at the Company s expense, compensation consultants to provide independent advice and counsel directly to the committee.

**Peer Group Compensation**

In evaluating appropriate levels of total compensation for the Named Executive Officers, the committee gathers and analyzes data from a variety of sources. While there is not a comparable peer group of publicly-traded companies serving the outpatient rehabilitation sector, the committee monitors public information on executive compensation for a number of companies providing various healthcare services which are similar in revenue volume and market capitalization to the Company. The Compensation Committee believes that this information is useful in evaluating the competitiveness of our executive compensation program.

**Limitation on Certain Trades of Company Securities**

In addition to the various trading restrictions required of Company directors and certain employees under the Exchange Act, Securities Act of 1933, as amended, and SEC rules, the U.S. Physical Therapy, Inc. Insider Trading Policy restricts certain transactions involving company securities. Among other things, directors, officers, employees

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and other insiders of the Company are prohibited from entering into certain hedging or monetization transactions regarding Company securities (*e.g.,* the purchase of put options, short positions, zero-cost collars or forward sale contracts).

**Compensation Philosophy and Objectives**

Our compensation policies are designed to enable us to attract, motivate and retain experienced and qualified executives. We seek to provide competitive compensation. Historically, our policy has been to provide a significant component of an executive officers compensation through the grant of stock options or restricted shares that vest over a number of years. We believe that grants of equity-based incentives to executives and key employees help to align the interests of these persons with the interests of our stockholders.

The committee s policy is to compensate and reward executive officers and other key employees based on the combination of some or all of the following factors, depending on the person s responsibilities: corporate performance, business unit performance and individual performance. The committee evaluates corporate performance and business unit performance by reviewing the extent to which the Company has accomplished strategic business objectives such as improved profitability, cash flow, management of working capital, improvements in clinic productivity and efficiency, and the overall quality of patient care. The committee evaluates individual performance by comparing actual accomplishments to the objectives established for the individual under the Company s management development program. The committee determines increases in base salary and annual cash incentive awards based on actual accomplishments during the performance period and determines long-term incentive awards based on LTIP (as defined below) criteria.

The committee believes that compensation to executive officers should be aligned closely with the Company s performance on both a short-term and long-term basis. As a result, a significant portion of compensation to each executive officer is at risk and tied to the achievement of financial performance goals, regulatory compliance, improvements in operating efficiency and the quality of care provided, and other quantitative and qualitative factors. The executive compensation program is also designed to incentivize continuous improvements by providing enhanced compensation as results improve. While a significant portion of compensation to the Company s executive officers is performance-based, the committee also believes it prudent to provide competitive base salaries and benefits in order to attract and retain the management talent necessary to achieve our long-term strategic objectives. The committee also takes into account the compensation practices of certain comparably-sized healthcare service companies to ensure that the Company is able to attract, retain and reward executive officers whose contributions are critical to our long-term success.

***Base Salaries***

Other than the base salary of the Named Executive Officers which were initially set by an employment agreement (see Employment and Consulting Agreements below), base salaries of executives are initially determined by evaluating the responsibilities of the position, the experience and knowledge of the individual and the competitive marketplace for executive talent. Base salaries for executive officers, including those with employment agreements, are reviewed annually by the committee based on, among other things, individual performance and responsibilities, inflation and competitive market conditions.

***Annual Cash Incentive Compensation***

Based on individual and Company performance, incentive compensation opportunities are available to a wide range of our employees. We believe that incentive compensation is effective in reinforcing both the overall values of our Company and our specific operating goals.

Incentive compensation programs are designed to focus employees attention on our key performance goals, to identify the expected levels of performance and to reward individuals who meet or exceed our expectations. The aggregate amounts available for incentive awards are determined by our overall financial performance. The actual awards paid to individual recipients, other than to executive officers, are formulated by management, generally payable on an annual basis and reviewed by the committee prior to payment. The committee formulates and determines incentive awards for Named Executive Officers. See Summary Compensation Table below.

For 2015, the Company s Chief Executive Officer, Chief Financial Officer and Chief Operating Officer (the Executive Participants ) were eligible to receive cash bonus awards under the Company s Objective Cash Bonus

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Plan and Discretionary Cash Bonus Plan that amounted to a maximum of 125% of their respective base salaries. For a detailed description of these plans, see the Company s Current Report on Form 8-K filed with the SEC on March 27, 2015.

Under the Objective Cash Bonus Plan, the Executive Participants were eligible to earn cash bonus awards of up to 75% of their respective base salaries dependent upon the Company achieving incremental diluted earnings per share in the range of $1.77 to $2.00 or more. The following table summarizes the actual diluted earnings per share for 2014, the target range for 2015 and the actual earnings per share for 2015:

| | 2014 Actual | 2015 Target | 2015 Actual |
|---|---|---|---|
| Diluted Earnings Per Share | $ 1.71 | $1.77 to $2.00 | $ 1.80 |

For 2014 and 2015, the adjusted diluted earnings per shares of $1.71 and $1.80 was the reported diluted earnings per share attributable to common shareholders – prior to revaluation of redeemable non-controlling interests, net of tax. Based on the adjusted diluted earnings per share from continuing operations of $1.80 for 2015, the Executive Participants earned an Objective Cash Bonus award for 2015 equal to 21% of their respective base salaries. The amount paid to Messrs. Reading, McAfee and McDowell was $124,950, $90,300, and $84,000, respectively. Those amounts were paid in March, 2016.

Under the Discretionary Cash Bonus Plan, the Executive Participants were eligible to earn up to 50% of their respective base salaries. No cash bonuses were awarded to the Executive Participants for 2015 under the Discretionary Cash Bonus Plan.

***Long-term Equity Incentive Awards***

For the 2015 year, the Executive Participants were eligible to receive awards consisting of shares of restricted common stock under the Company s Objective Long-Term Incentive Plan and Discretionary Long-Term Incentive Plan. For a detailed description of these plans, see the Company s Current Report Form 8-K filed with the SEC on March 27, 2015. Under the Objective Long-Term Incentive Plan, Messrs. Reading, McAfee and McDowell were eligible to earn up to 16,000, 8,000 and 8,000 shares of restricted common stock, respectively, dependent upon the Company achieving incremental diluted earnings per share in the range of $1.77 to $1.94 or more. Based on the adjusted reported diluted earnings per share of $1.80 for 2015, Messrs. Reading, McAfee and McDowell were awarded 6,720, 3,360 and 3,360 shares of restricted common stock, respectively. Under the Discretionary Long-Term Incentive Plan, Messrs. Reading, McAfee and McDowell were eligible to earn up to 16,000, 8,000 and 8,000 shares of restricted common stock, respectively, based upon a subjective determination of the committee. The committee utilized certain performance criteria as detailed in the plan but generally did not consider it practicable to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific performance criteria it considers in reaching its decision. In considering these performance criteria, the individual members of the committee may have given different weights to different performance criteria. The discretionary performance criteria were not intended to be rigid or formulaic but rather served as a framework under which the committee reviews the total compensation and performance of the Executive Participants to determine what incentive amount is appropriate for any specific year. For 2015, Messrs. Reading, McAfee and McDowell were awarded 16,000, 8,000 and 8,000 shares of restricted common stock, respectively, under the Discretionary Long-Term Incentive Plan. On February 29, 2016, for the 2015 year, Messrs. Reading, McAfee and McDowell were granted an aggregate of 22,720, 11,360 and 11,360 shares of restricted common stock, respectively, representing the total shares awarded under the Objective Long-Term Incentive Plan and Discretionary Long-Term Incentive Plan. The restricted shares vest evenly over 16 quarters with the first vesting occurring on April 1, 2016.

The Objective Cash Bonus Plan, Discretionary Cash Bonus Plan, Objective Long-Term Incentive Plan, and Discretionary Long-Term Incentive Plan collectively are hereinafter referred to as the 2015 Executive Incentive Plan .

The Stock Incentive Plan and our Amended and Restated 1999 Employee Stock Option Plan ( 1999 Stock Option Plan ) are intended to align employee and outside director interests with stockholders interests, to provide incentives to our key employees by encouraging their ownership of our common stock and to aid us in attracting and retaining key employees, upon whose efforts our success and future growth depends.

Equity grants are made at the discretion of the committee, which administers the Company s equity compensation plans. The objective of such long-term equity-based awards, which generally vest over three to five

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years, is primarily to incentivize management and key employees for future performance rather than to reward specific past performance. Individual grant sizes are primarily determined based on the employee s duties and level of responsibility and his or her ability to exert significant influence and make meaningful contributions to the overall future success of the Company and, to a lesser degree, organizational and individual performance. At the discretion of the committee, and based on the recommendation of management, equity grants may also be used as an incentive for candidates recruited to fill key positions and for existing employees who receive significant promotions with increased responsibilities.

***Post-Employment Benefits***

We have entered into employment agreements with our Named Executive Officers that provide for the payment of severance and other post-termination benefits depending on the nature of the termination, including severance payments in the event of a termination following a change in control. The committee believes that the terms and conditions of these agreements are reasonable and assist us in retaining the executive talent needed to achieve our objectives. In particular, the termination agreements, in the event of a change in control, help executives focus their attention on the performance of their duties in the best interests of the stockholders without being concerned about the consequences to them of a change in control and help promote continuity of senior management. Information regarding the specific payments that are applicable to each termination event, as well as the effect on unvested equity awards, is provided under the heading Executive Compensation — Post Termination/Change-in-Control Benefits below.

***Benefits and Perquisites***

*Defined Contribution Plan.* The Company maintains qualified retirement plans pursuant to Internal Revenue Code of 1986, as amended (the Code ) Section 401(k) (the 401(k) Plans ) covering substantially all employees subject to certain minimum service requirements. The 401(k) Plans allows employees to make voluntary contributions and provides for discretionary matching contributions by the Company. For certain plans, the Company makes matching contributions. The assets of the 401(k) Plans are held in trust for grantees and are distributed upon the retirement, disability, death or other termination of employment of the grantee. The Board, in its discretion, determines the amount of any Company discretionary contributions. We did not make any discretionary contributions to the 401(k) Plan during 2015. The Company s matching contributions aggregated $0.9 million in 2015.

*Life Insurance.* The Company maintains, at its expense, for the benefit of each of its full-time employees, life insurance policies in the amount of one times the employee s annual salary, up to $200,000.

*Health and Welfare Benefits.* All executive officers, including the Named Executive Officers, are eligible for welfare benefits from the Company including: medical, dental, vision, life insurance, short-term disability and long-term disability. Named Executive Officers participate in these plans on the same basis and subject to the same costs, terms and conditions as other salaried employees at their work location.

**Employment and Consulting Agreements**

Effective February 9, 2016, the Company entered into amended and restated Employment Agreements (collectively, the Employment Agreements ) with each Named Executive Officer. The Employment Agreements were executed in order to (i) extend the term of each of the Employment Agreements for an additional two-year period commencing as of January 1, 2016, along with automatic two-year extensions as of the end of each expiring term; (ii) modify the severance and other benefits to which the Executive Officers are entitled in the event of an involuntary termination of employment without cause, a voluntary termination for good reason, or due to death or disability; and (iii) provide for additional benefits in the event of a change in control of the Company.

Each of the Employment Agreements may be terminated by the Company prior to the expiration of their respective terms for cause or without cause, and due to the death or disability of the Executive Officer, as well as by the Executive Officer for good reason or based a disability. In the event of (A) an involuntary termination by the Company without cause (as defined in each of the Employment Agreements) or (B) a voluntary termination by the Executive Officer for good reason (as defined in each of the Employment Agreements), the affected Executive Officer is entitled to receive (1) salary continuation for two years, based on his base compensation then in effect, (2) the greater of: (a) the bonus paid or payable to the Executive Officer with respect to the last fiscal year completed prior to such termination, or (b) the average of the bonuses paid to the Executive Officer over the last three fiscal years of employment ending with the last fiscal year prior to such termination, (3) the Executive Officer s accrued

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but unused vacation days, (4) an immediate acceleration of vesting for all outstanding equity incentive awards, and (5) medical insurance benefits currently in effect for the twenty-four months following such termination. If an Employment Agreement is terminated based on a qualified disability (as described in the Employment Agreements), the terminated Executive Officer is entitled to receive a lump-sum payment equal to two times such Executive Officer s base compensation then in effect, as well as an immediate acceleration of vesting for all outstanding equity incentive awards. If an Employment Agreement is terminated based on the death of an Executive Officer, the Executive Officers estate (or his heirs) will receive a lump-sum payment equal to such Executive Officers base compensation then in effect, and all outstanding equity incentive awards held by such Executive Officer shall immediately vest. Finally, in the event of a change in control (as defined in the Employment Agreements), the Executive Officers, as applicable, will be entitled to (A) a change of control benefit of $500,000 for Mr. Reading and McAfee and $283,333 for Mr. McDowell, and (B) the immediate acceleration of vesting for all outstanding equity incentive awards held by the Executive Officers.

Effective January 1, 2016, the annual base salaries under the agreements were increased to $606,900 for Mr. Reading, $438,600 for Mr. McAfee and $408,000 for Mr. McDowell .

Messrs. Reading, McAfee and McDowell s employment agreements may each be terminated by the Company prior to the expiration of their term. See Executive Compensation — Post Termination/Change-in-Control Benefits below for a detailed discussion of the termination and change in control provisions contained in these agreements.

We do not have any executive retention and severance arrangements or change in control agreements with our Named Executive Officers other than those described above.

**Compensation of Named Executive Officers**

Mr. Reading joined our Company in November 2003 as Chief Operating Officer and, effective November 1, 2004, was promoted to President and Chief Executive Officer. Under his employment agreement with us (see Employment and Consulting Agreements above), Mr. Reading s annual base salary is subject to adjustment by the Compensation Committee. For the last three years, his annual base salary was $560,000 (during 2013), $577,000 (during 2014), $595,000 (during 2015) and further increased to $606,900 effective as of January 1, 2016. During each of 2013, 2014 and 2015, Mr. Reading participated in an executive incentive plan specific to such year that was approved by the Compensation Committee and filed with the SEC on Form 8-K. In accordance with such executive incentive plans, Mr. Reading (i) was granted 30,000 shares of restricted stock and was paid a cash bonus of $369,516 for 2013 and (ii) was granted 40,000 shares of restricted stock and was paid a cash bonus of $721,250 for 2014. As previously disclosed, for 2015, Mr. Reading was paid a cash bonus of $124,950 on March 11, 2016 and was granted 22,720 shares of restricted stock on February 29, 2016.

Mr. McAfee joined our Company in September 2003 as Chief Financial Officer and, effective November 1, 2004, was promoted to Executive Vice President. Under his employment agreement with us (see Employment and Consulting Agreements above), Mr. McAfee s annual base salary is subject to adjustment by the Compensation Committee. For the last three years, his annual base salary was $410,000 (during 2013), $420,000 (during 2014) and $430,000 (during 2015) and further increased to $438,600 effective as of January 1, 2016. During each of 2013, 2014 and 2015, Mr. McAfee participated in an executive incentive plan specific to such year that was approved by the Compensation Committee and filed with the SEC on Form 8-K. In accordance with such executive incentive plans, Mr. McAfee (i) was granted 15,000 shares of restricted stock and was paid a cash bonus of $278,880 for 2013 and (ii) was granted 20,000 shares of restricted stock and was paid a cash bonus of $525,000 for 2014. As previously disclosed, for 2015, Mr. McAfee was paid a cash bonus of $90,300 on March 11, 2016 and was granted 11,360 shares of restricted stock on February 29, 2016.

Mr. McDowell joined our Company in October 2003 as Vice President of Operations overseeing the west region and, effective January 24, 2005, was promoted to Chief Operating Officer. Mr. McDowell s employment agreement with us was entered into on May 24, 2007 and was amended and restated as of February 9, 2016 (see Employment and Consulting Agreements above). For the last three years, his annual base salary was $365,000 (during 2013), $377,000 (during 2014) and $400,000 (for 2015) and further increased to $408,000 effective as of January 1, 2016. During each of 2013, 2014 and 2015, Mr. McDowell participated in an executive incentive plan specific to such year that was approved by the Compensation Committee and filed with the SEC on Form 8-K. In accordance with such executive incentive plans, Mr. McDowell (i) was granted 15,000 shares of restricted stock and was paid a cash bonus

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of $230,408 for 2013, and (ii) was granted 20,000 shares of restricted stock and was paid a cash bonus of $471,250 for 2014. As previously disclosed, for 2015, Mr. McDowell was paid a cash bonus of $84,000 on March 11, 2016 and was granted 11,360 shares of restricted stock on February 29, 2016.

In determining the appropriate compensation for Messrs. Reading, McAfee and McDowell, the Compensation Committee evaluates our overall corporate performance under their leadership, as well as each individual contribution to key strategic, financial and development objectives. The committee utilizes a combination of quantitative measures and qualitative factors in reviewing executive performance and compensation.

**Compensation Deductibility Policy**

Under Section 162(m) of the Code and applicable Treasury regulations, no deduction is allowed for annual compensation in excess of $1 million paid by a publicly traded corporation to its chief executive officer and the four other most highly compensated officers. Under those provisions, however, there is no limitation on the deductibility of qualified performance-based compensation.

In general, our policy is to maximize the extent of tax deductibility of executive compensation under the provisions of Section 162(m) so long as doing so is compatible with the most appropriate methods and approaches for the design and delivery of compensation to our executive officers.

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**Executive Compensation**

**Summary Compensation Table**

The following table sets forth the compensation paid or accrued for services rendered in all capacities on behalf of the Company during 2015, 2014 and 2013 to Messrs. Reading, McAfee and McDowell.

**Summary Compensation Table For the Fiscal Years Ended December 31, 2015, 2014 and 2013**

| Name and Principal Position | Year | Salary (1) ($) | Bonus ($) | Stock Awards (2) ($) | Option Awards ($) | Non-Equity Incentive Plan Compen-sation (3) ($) | Change in Pension Value and Non-Qualified Deferred Compen-sation Earnings ($) | All Other Compen-sation (4) ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Christopher J. Reading Chief Executive Officer | 2015 | 616,500 | | 1,140,253 | | 124,950 | | 1,289 | 1,882,992 |
| | 2014 | 575,692 | | 1,552,200 | | 721,250 | | 1,242 | 2,850,384 |
| | 2013 | 558,730 | | 974,400 | | 369,516 | | 1,242 | 1,903,888 |
| Lawrance W. McAfee Chief Financial Officer | 2015 | 445,769 | | 570,126 | | 90,300 | | 3,701 | 1,109,896 |
| | 2014 | 419,231 | | 776,100 | | 525,000 | | 2,322 | 1,722,653 |
| | 2013 | 409,577 | | 487,200 | | 278,880 | | 2,322 | 1,177,979 |
| Glenn D. McDowell Chief Operating Officer | 2015 | 413,615 | | 570,126 | | 84,000 | | 2,411 | 1,070,152 |
| | 2014 | 376,077 | | 776,100 | | 471,250 | | 2,322 | 1,625,749 |
| | 2013 | 363,942 | | 487,200 | | 230,408 | | 2,322 | 1,083,872 |

1. 2015 includes 27 pay periods versus standard of 26.

2. For 2015, stock awards were granted in accordance with the 2015 Executive Incentive Plan as restricted stock under the terms of the Stock Incentive Plan as follows: Mr. Reading was awarded 22,720 shares and Messrs. McAfee and McDowell were awarded 11,360 shares each. For 2014, stock awards were granted in accordance with the 2014 Executive Incentive Plan as restricted stock under the terms of the Stock Incentive Plan as follows: Mr. Reading was awarded 40,000 shares and Messrs. McAfee and McDowell were awarded 20,000 shares each. For 2013, stock awards were granted in accordance with the 2013 Executive Incentive Plan as restricted stock under the terms of the Stock Incentive Plan as follows: Mr. Reading was awarded 30,000 shares and Messrs. McAfee and McDowell were awarded 15,000 shares each. Amounts shown are the grant date fair value of the awards computed in accordance with FASB ASC Topic 718 which amounted to a weighted average of $50.19 per share for 2015, $38.81 per share for 2014 and $32.48 per share for 2013. Assumptions used in the calculation of these amounts are included in Note 12 — Equity Based Plans of the Notes to the Consolidated Financial Statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 4, 2016.

3. For 2015, the amounts represent the cash bonuses earned under the Company's 2015 Executive Incentive Plan and paid in March 2016. For 2014, the amounts represent the cash bonuses earned under the Company's 2014 Executive Incentive Plan and paid in March 2015. For 2013, the amounts represent the cash bonuses earned under the Company's 2013 Executive Incentive Plan and paid in March 2014. See Compensation Discussion and Analysis — Annual Cash Incentive Compensation for further details.

4. Represents the value of life insurance premiums for life insurance coverage provided to the Named Executive Officers.

**Grants of Plan-Based Awards**

The following table sets forth the grants of plan-based awards during 2015 to the Named Executive Officers:

| Name | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1): Threshold ($) | Target ($) | Maximum ($) | Estimated Possible Payouts Under Equity Incentive Plan Awards (1): Threshold (#) | Target (#) | Maximum (#) | Grant Date Fair Value of Stock Awards (2) |
|---|---|---|---|---|---|---|---|---|
| Christopher J. Reading | 3/23/2015 | $ — | $ 743,750 | $ 743,750 | — | 32,000 | 32,000 | $ 1,567,680 |
| Lawrance W. McAfee | 3/23/2015 | $ — | $ 537,500 | $ 537,500 | — | 16,000 | 16,000 | $ 783,840 |
| Glenn D. McDowell | 3/23/2015 | $ — | $ 500,000 | $ 500,000 | — | 16,000 | 16,000 | $ 783,840 |

1. Possible payments and equity grants under the 2015 Executive Incentive Plan. For 2015, 88% of the value of the amount awarded was in restricted stock and 12% of the amount in cash - see Summary Compensation Table. The cash bonuses earned under the Company's 2015 Executive Incentive Plan and paid in March 2016 was $299,250 in aggregate for all Named Executive Officers. For 2015, stock awards were granted in accordance with the Objective Long-Term Incentive Plan. On March 23, 2015, Messrs. Reading, McAfee and McDowell were eligible for 16,000, 8,000, and 8,000 shares of common stock, respectively. These awards were based on the achievement of adjusted EPS

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between $1.77 to $1.94 or more. On February 29, 2016, under the Long-Term Incentive Program, Messrs. Reading, McAfee and McDowell earned 6,720, 3,360, and 3,360 shares of restricted common stock respectively, for achievement under this program. These shares vest evenly over 16 quarters, with the first vest occurring on April 1, 2016, and continuing through Jan. 1, 2020. For 2015, stock awards were granted in accordance with the Discretionary Long-Term Incentive Plan. On March 23, 2015, Messrs. Reading, McAfee and McDowell were awarded 16,000, 8,000, and 8,000 shares of restricted common stock, respectively. These shares vest evenly over 16 quarters, with the first vest occurring on April 1, 2016, and continuing through Jan. 1, 2020.

2. Amounts shown are the grant date fair value of the awards computed in accordance with FASB ASC Topic 718 which amounted to a weighted average of $48.99 per share. See Note 12 — Equity Based Plans of the Notes to the Consolidated Financial Statements in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 4, 2016 for a description of the valuations and a description of the equity plans.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table**

See Employment and Consulting Agreements above and Post-Termination/Change-in-Control Benefits below for the material terms of our employment agreements with our Named Executive Officers. See Compensation Discussion and Analysis above for an explanation of the amount of salary and bonus in proportion to total compensation. See the footnotes to the Summary Compensation Table above and Grants of Plan-Based Awards table paid to the Named Executive Officers above for narrative disclosure with respect to those tables.

**Outstanding Equity Awards at Fiscal Year-End**

The following table shows outstanding awards of shares of restricted common stock that have not vested as of December 31, 2015 for each Named Executive Officer. There are no outstanding stock option awards for the Named Executive Officers as of December 31, 2015.

| | Stock Awards | |
|---|---|---|
| **Name** | **Number of Shares or Units of Stock That Have Not Vested (#)** | **Market Value of Shares or Units of Stock That Have Not Vested ($) (1)** |
| Christopher J. Reading | 60,875(2) | $ 3,267,770 |
| Lawrance W. McAfee | 30,441(3) | $ 1,634,073 |
| Glenn D. McDowell | 30,441(3) | $ 1,634,073 |

1. Calculated based on the closing market price of our common stock on December 31, 2015 of $53.68 per share.
2. The restrictions on these shares of common stock granted as restricted stock will lapse as follows:

| Date | # Shares | Date | # Shares | Date | # Shares |
|---|---|---|---|---|---|
| 1/1/2016 | 6,675 | 4/1/2017 | 4,375 | 4/1/2018 | 2,500 |
| 4/1/2016 | 6,675 | 7/1/2017 | 4,375 | 7/1/2018 | 2,500 |
| 7/1/2016 | 6,675 | 10/1/2017 | 4,375 | 10/1/2018 | 2,500 |
| 10/1/2016 | 6,675 | 1/1/2018 | 4,375 | 1/1/2019 | 2,500 |
| 1/1/2017 | 6,675 | | | | |

3. The restrictions on these shares of common stock granted as restricted stock will lapse as follows:

| Date | # Shares | Date | # Shares | Date | # Shares |
|---|---|---|---|---|---|
| 1/1/2016 | 3,337 | 4/1/2017 | 2,187 | 4/1/2018 | 1,250 |
| 4/1/2016 | 3,337 | 7/1/2017 | 2,187 | 7/1/2018 | 1,250 |
| 7/1/2016 | 3,337 | 10/1/2017 | 2,187 | 10/1/2018 | 1,250 |
| 10/1/2016 | 3,337 | 1/1/2018 | 2,195 | 1/1/2019 | 1,250 |
| 1/1/2017 | 3,337 | | | | |

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**Option Exercises and Stock Vested Table**

The following table shows the number of shares of our common stock acquired by the Named Executive Officers during 2015 upon the vesting of restricted stock. As of December 31, 2015, there were no outstanding stock options for the Named Executive Officers.

| | Stock Awards | |
|---|---|---|
| **Name** | **Number of shares acquired on vesting (#)** | **Value realized on Vesting** |
| Christopher J. Reading | 29,984 | $ 1,447,050 |
| Lawrance W. McAfee | 15,954 | $ 771,838 |
| Glenn D. McDowell | 15,954 | $ 771,838 |

The value realized on vesting is computed by multiplying the number of shares of stock by the market value of the underlying shares on the vesting date. The closing price of the stock is used as the market value.

**Post Termination/Change-in-Control Benefits**

Each of the Employment Agreements of the Named Executive Officers may be terminated by the Company prior to the expiration of their respective terms for cause or without cause, and due to the death or disability of the Executive Officer, as well as by the Executive Officer for good reason or based a disability. In the event of (A) an involuntary termination by the Company without cause (as defined in each of the Employment Agreements) or (B) a voluntary termination by the Executive Officer for good reason (as defined in each of the Employment Agreements), the affected Executive Officer is entitled to receive (1) salary continuation for two years, based on his base compensation then in effect, (2) the greater of: (a) the bonus paid or payable to the Executive Officer with respect to the last fiscal year completed prior to such termination, or (b) the average of the bonuses paid to the Executive Officer over the last three fiscal years of employment ending with the last fiscal year prior to such termination, (3) the Executive Officer s accrued but unused vacation days, (4) an immediate acceleration of vesting for all outstanding equity incentive awards, and (5) medical insurance benefits currently in effect for the twenty-four months following such termination. If an Employment Agreement is terminated based on a qualified disability (as described in the Employment Agreements), the terminated Executive Officer is entitled to receive a lump-sum payment equal to two times such Executive Officer s base compensation then in effect, as well as an immediate acceleration of vesting for all outstanding equity incentive awards. If an Employment Agreement is terminated based on the death of an Executive Officer, the Executive Officers estate (or his heirs) will receive a lump-sum payment equal to such Executive Officers base compensation then in effect, and all outstanding equity incentive awards held by such Executive Officer shall immediately vest. Finally, in the event of a change in control (as defined in the Employment Agreements), the Executive Officers, as applicable, will be entitled to (A) a change of control benefit of $500,000 for Mr. Reading and McAfee and $283,333 for Mr. McDowell, and (B) the immediate acceleration of vesting for all outstanding equity incentive awards held by the Executive Officers.

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The amount of compensation payable to each Named Executive Officer under the agreements is detailed in the tables below:

**Christopher Reading**
**President and Chief Executive Officer**

| Executive Benefits and Payments Upon Termination (1) | Voluntary Termination or For Cause | Without Cause | Executive Resigns For Good Reason | In Conjunction with a Change In Control |
|---|---|---|---|---|
| **Compensation** | | | | |
| Severance (2) | $ — | $ 1,190,000 | $ 1,190,000 | $ 1,190,000 |
| Annual Cash Incentive (3) | — | 405,239 | 405,239 | 405,239 |
| Change of Control Benefit (4) | — | — | — | 500,000 |
| Restricted Stock (Unvested and Accelerated) (5) | — | 3,267,770 | 3,267,770 | 3,267,770 |

| | | | | | |
|---|---|---|---|---|---|
| **Benefits and Perquisities** | $ 9.37 | 10/9/2025 | | | |
| | — | | 16,984 | $ 5.96 | 1/28/2026 |
| Dr. James Mond | 134,705 | | — | $ 7.56 | 7/18/2022 |
| Executive Vice President, Chief Scientific Officer and Chief Medical Officer | 20,960 | | 8,631 | $ 8.50 | 2/21/2024 |
| | 10,541 | | 11,459 | $ 10.80 | 1/30/2025 |
| | 7,875 | | 19,125 | $ 9.37 | 10/9/2025 |
| | — | | 6,750 | $ 5.96 | 1/28/2026 |
| Brian Lenz | 84,190 | | — | $ 7.56 | 5/1/2022 |
| Vice President and Chief Financial Officer | 27,647 | | 11,385 | $ 8.50 | 2/21/2024 |
| | 8,625 | | 9,375 | $ 10.80 | 1/30/2025 |

| | | | |
|---|---|---|---|
| 6,708 | 16,292 | $ 9.37 | 10/9/2025 |
| — | 5,750 | $ 5.96 | 1/28/2026 |

(1) With respect to option grants that have unvested options outstanding, each option grant vests over four years, with 25% vesting on the first anniversary of the grant date and the remaining 75% vesting in equal monthly installments over the following 36 months of continued employment, subject to accelerated vesting upon certain terminations of employment in connection with a change in control (as described below under “Agreements with Executive Officers”).

**Agreements with Executive Officers**

*President and Chief Executive Officer*

On January 28, 2016, the Company entered into an amended and restated employment agreement with our President and Chief Executive Officer, Adam S. Grossman, for an initial term of three years, with automatic three year renewal periods unless notice is provided 90 days in advance of the expiration of the then-current term. The amended and restated employment agreement provides that Mr. Grossman is (i) entitled to a base salary of $480,000 annually, (ii) eligible for an annual cash bonus with a target equal to 50% of Mr. Grossman’s base salary, based upon the attainment of certain performance objectives mutually agreed to by the Board and Mr. Grossman; and (iii) eligible to participate in our standard benefits package. Mr. Grossman’s amended and restated employment agreement further provides, in the event (i) that Mr. Grossman is terminated by the Company “without cause” (as such term is defined under the amended and restated agreement), (ii) that Mr. Grossman resigns for “good reason” (as such term is defined under the amended and restated agreement), or (iii) of any termination resulting from a “change of control” (as such term is defined under the amended and restated agreement) in which the existing employment agreement is not assumed by the successor to the Company, he would be entitled to (in addition to any accrued but unpaid benefits) (A) a severance payment equal to one year of base salary plus “target bonus” (as such term is defined under the amended and restated agreement) payable in 12 monthly, equal installments after termination or, if such termination is immediately preceding or within two years following a change of control, a severance payment equal to 18 months’ base salary plus one and a half times the “target bonus” payable in a lump sum, (B) prior year target bonus (if unpaid), and (C) accelerated vesting of stock options granted to Mr. Grossman on January 28, 2016, as described in the following sentence. If Mr. Grossman (x) is terminated “without cause” or Mr. Grossman resigns for “good reason,” in either case immediately preceding or within two years after a “change in control,” such stock options will accelerate in full, and (y) is terminated “without cause” or Mr. Grossman resigns for “good reason” (or if Mr. Grossman dies or become disabled), and clause (x) does not apply, the portion of such stock options that would have vested on or before the first anniversary of such termination had Mr. Grossman remained employed will accelerate. Furthermore, any payments, awards, benefits or distributions due to Mr. Grossman under the amended and restated agreement as a result of a transaction described in Section 280G(b)(2)(A)(i) of the Code, may be subject to a cutback as set forth in the amended and restated agreement.

On June 6, 2017, the Board, upon the recommendation of the Compensation Committee, also approved, contingent upon the closing of the Biotest transaction, the amendment of Mr. Grossman's amended and restated employment agreement to increase the annual bonus payment amount from up to 50% of his current salary to up to 55% of his current salary. As of October 23, 2017, this amendment had not yet been entered into between the Company and Mr. Grossman.

The amended and restated employment agreement also contains a mutual nondisparagement covenant and customary noncompetition, nonsolicitation, confidentiality, and intellectual property covenants.

*Executive Vice President, Chief Scientific Officer and Chief Medical Officer*

On January 28, 2016, the Company entered into amended and restated employment agreement with our Executive Vice President, Chief Scientific Officer and Chief Medical Officer, James Mond, M.D., Ph.D., for an initial term of three years, with automatic three year renewal periods unless notice is provided 90 days in advance of the expiration of the then-current term. The amended and restated employment agreement provides that Dr. Mond is (i) entitled to a base salary of $350,000 annually, (ii) eligible for annual bonus payments of up to 35% of his then-current base salary, based upon the achievement of certain milestones as mutually agreed by our President and Chief Executive Officer and Dr. Mond and approved by the Company's Compensation Committee (the "Compensation Committee"), and (iii) eligible to participate in our standard benefits package.

Pursuant to the amended and restated agreement, if a "change in control" (as such term is defined under the amended and restated agreement) occurs and the successor to the Company does not assume the amended and restated agreement or, within 12 months following such change in control, Dr. Mond is terminated "without cause" (as such term is defined under the amended and restated agreement) or Dr. Mond resigns for "good reason" (as such term is defined under the amended and restated agreement), Dr. Mond would be entitled to (in addition to any accrued but unpaid benefits) (i) continued base salary and health insurance and welfare benefits for a period of 12 months (except that such health insurance and welfare benefit continuation will cease if Dr. Mond begins regular, full-time employment with another employer and is eligible to commence benefits coverage with such employer), (ii) the annual bonus for the period ending December 31 in which such termination or resignation occurs, and (iii) accelerated vesting of all stock options granted to him prior to or after the date of the amended and restated agreement. (If the Company terminates Dr. Mond "without cause" or Dr. Mond terminates his employment for "good reason," in each case absent a "change in control," Dr. Mond would receive only the payments described in clause (i) for a period of six months following the date of such termination.) If Dr. Mond is terminated as a result of his death, Dr. Mond's estate would continue to receive his base salary for 60 days following such termination. Furthermore, any payments, awards, benefits or distributions due to Dr. Mond under the amended and restated agreement as a result of a transaction described in Section 280G(b)(2)(A)(i) of the Code, may be subject to a cutback as set forth in the amended and restated agreement.

On June 6, 2017, the Board, upon the recommendation of the Compensation Committee, also approved, contingent upon the closing of the Biotest transaction, the amendment of Dr. Mond's amended and restated employment agreement to (i) increase the annual bonus payment amount from up to 35% of his current salary to up to 40% of his current salary, and (ii) increase the severance compensation payable in the event that Dr. Mond's employment is terminated for "Good Reason" or by the Company without "Cause" (each as defined in the amended and restated employment agreement) from six months to nine months from the date of termination. As of October 23, 2017, this amendment had not yet been entered into between the Company and Dr. Mond.

The amended and restated employment agreement also contains a mutual nondisparagement covenant and customary noncompetition, nonsolicitation, confidentiality, and intellectual property covenants.

*Vice President and Chief Financial Officer*

On January 28, 2016, the Company entered into an amended and restated employment agreement with our Vice President and Chief Financial Officer, Mr. Lenz, for an initial term of three years, with automatic three year renewal periods unless notice is provided 90 days in advance of the expiration of the then-current term. The amended and restated employment agreement provides that Mr. Lenz is (i) entitled to a base salary of $350,000 annually, (ii) eligible for annual bonus payments of up to 35% of his then-current base salary, based upon the achievement of certain milestones as mutually agreed by our President and Chief Executive Officer and Mr. Lenz and approved by the Compensation Committee, (iii) eligible to participate in our standard benefits package, and (iv) entitled to reimbursement for expenses associated with the maintenance of his CPA license and customary continuing professional education courses.

Pursuant to the amended and restated agreement, if a "change in control" (as such term is defined under the amended and restated agreement) occurs and the successor to the Company does not assume the amended and restated agreement or, within 12 months following such change in control, Mr. Lenz is terminated "without cause" (as such term is defined under the amended and restated agreement) or Mr. Lenz resigns for "good reason" (as such term is defined under the amended and restated agreement), Mr. Lenz would be entitled to (in addition to any accrued but unpaid benefits) (i) continued base salary and health insurance and welfare benefits for a period of 12 months (except that such health insurance and welfare benefit continuation will cease if Mr. Lenz begins regular, full-time employment with another employer and is eligible to commence benefits coverage with such employer), (ii) the annual bonus for the period ending December 31 in which such termination or resignation occurs, and (iii) accelerated vesting of all stock options granted to him prior to or after the date of the amended and restated agreement. (If the Company terminates Mr. Lenz "without cause" or Mr. Lenz terminates his employment for "good reason," in each case absent a "change in control," Mr. Lenz would receive only the payments described in clause (i) for a period of six months following the date of such termination.) If Mr. Lenz is terminated as a result of his death, Mr. Lenz's estate would continue to receive his base salary for 60 days following such termination. Furthermore, any payments, awards, benefits or distributions due to Mr. Lenz under the amended and restated agreement as a result of a transaction described in Section 280G(b)(2)(A)(i) of the Code, may be subject to a cutback as set forth in the amended and restated agreement.

On June 6, 2017, the Board, upon the recommendation of the Compensation Committee, also approved, contingent upon the closing of the Biotest transaction, the amendment of Mr. Lenz's amended and restated employment agreement to (i) increase the annual bonus payment amount from up to 35% of his current salary to up to 40% of his current salary, and (ii) increase the severance compensation payable in the event that Mr. Lenz's employment is terminated for "Good Reason" or by the Company without "Cause" (each as defined in the amended and restated employment agreement) from six months to nine months from the date of termination. As of October 23, 2017, this amendment had not yet been entered into between the Company and Mr. Lenz.

The amended and restated employment agreement also contains a mutual nondisparagement covenant and customary noncompetition, nonsolicitation, confidentiality, and intellectual property covenants.

**Director Compensation**

The following table sets forth the compensation paid to non-executive directors for the year ended December 31, 2016.

| Name | **Fees Earned** | **Option** | Total ($) |
|---|---|---|---|

| | or Paid in Cash ($) (1) | Awards ($) (2) (3) | |
|---|---|---|---|
| Steven A. Elms (4) | 64,000 | 26,411 | 90,411 |
| Jerrold B. Grossman, D.P.S. | 64,000 | 26,411 | 90,411 |
| Dov A. Goldstein, M.D. (4) | 44,000 | 26,411 | 70,411 |
| Eric I. Richman | 58,000 | 26,411 | 84,411 |
| Bryant E. Fong (5) | 51,000 | 26,411 | 77,411 |
| Lawrence P. Guiheen | 52,000 | 26,411 | 78,411 |

(1) The amounts reflected in this column represent the cash fees earned by non-executive directors for services during 2016. Fees earned are based on membership on the Board, committee membership and committee leadership positions. Please refer to our general policy on compensation of the members of our Board below in the section entitled “General Policy Regarding Compensation of Directors.”

(2) The amounts in this column represent the aggregate grant date fair value for stock option awards issued during 2016 computed in accordance with FASB ASC Topic 718. Please see footnote (2) to the Summary Compensation Table below for relevant assumptions made. As of December 31, 2016, the aggregate number of option awards outstanding (vested and unvested) for Mr. Elms was 43,837, for Dr. Grossman was 108,861, for Dr. Goldstein was 43,837, for Mr. Richman was 68,144, for Mr. Fong was 43,837 and for Mr. Guiheen was 43,837. These options vest in equal monthly installments over a 24-month period following the date of grant.

(3) On January 28, 2016, the Company issued to each non-executive director an option to purchase 9,000 shares of the Company’s Common Stock. Each option granted to such non-executive directors has an exercise price of $5.96, the closing price of the Company’s Common Stock on Nasdaq on January 28, 2016, and vests in 24 equal monthly installments, becoming fully vested on the second anniversary of the date of grant. Each option shall terminate on the earlier of (i) February 14, 2027 and (ii) the first anniversary of such director’s ceasing to serve on the Board.

(4) Board fees and option grants paid to Mr. Elms and Dr. Goldstein are assigned to Aisling.

(5) Board fees and option grants paid to Mr. Fong are assigned to Biomark.

**General Policy Regarding Compensation of Directors**

Pursuant to a Board-approved compensation program, in 2016, each director of the Company was paid an annual cash retainer of $34,000. The Chairman and Vice-Chairman were each paid an additional fee of $30,000. The Chairman of the Audit Committee, the Chairman of the Compensation Committee and the Chairman of the Governance and Nominations Committee were each paid $15,000, $10,000 and $10,000, respectively. Members of the Audit Committee, the Compensation Committee and the Governance and Nominations Committee were each paid a retainer of $8,000, $5,000 and $4,000, respectively.

On February 14, 2017, the Board approved a Board compensation program pursuant to which each director of the Company will be paid an annual cash retainer of $35,020. The Chairman and Vice-Chairman will each be paid an additional fee of $30,900. The Chairman of the Audit Committee, the Chairman of the Compensation Committee and the Chairman of the Governance and Nominations Committee will each be paid $15,450, $10,300 and $10,300, respectively. Members of the Audit Committee, the Compensation Committee and the Governance and Nominations Committee will each be paid a retainer of $8,240, $5,150 and $4,120, respectively. The Company will disburse to each member of the Board 50% of each member's annual Board and Committee fees on January 1 and the remaining 50% on July 1 of each year.

Option grant awards to non-employee directors are determined by the Board in its sole, good faith discretion. On February 14, 2017, the Compensation Committee, after consultation with a compensation consultant, recommended to the Board, and the Board approved, the grant of options to purchase 10,000 shares of Common Stock to each of its non-executive directors. Each option granted to such non-executive directors has an exercise price of $5.00, the closing price of the Company's Common Stock on Nasdaq on January 28, 2016, and vests in 24 equal monthly installments, becoming fully vested on the second anniversary of the date of grant. Each option shall terminate on the earlier of (i) February 14, 2027 and (ii) the first anniversary of such director's ceasing to serve on the Board. Additionally, on June 6, 2017, On June 6, 2017, the Board, upon the recommendation of the Compensation Committee, also approved, contingent and effective upon the closing of the Biotest transaction, the grant of stock options to purchase shares of the Company's Common Stock, in the following amounts: (i) 583,224 option shares were approved for grant to Mr. Grossman; (ii) 118,861 option shares were approved for grant to Dr. Grossman; (iii) 78,144 option shares were approved for grant to Mr. Richman; and (iv) 53,837 option shares were approved for grant to each of Mr. Elms, Dr. Goldstein, Mr. Fong and Mr. Guiheen. Each option share has an exercise price equal to $3.66, the fair market value of the Common Stock as determined by the closing price of the Common Stock on the Nasdaq Stock Market on June 6, 2017. Additionally, the options granted to each director shall each vest in equal monthly

installments over 24 months, except the option grant to Mr. Grossman which shall vest over four years with 25% vesting on the one year anniversary of the date of grant and the remaining 75% vesting monthly in equal installments over the next three years.

**Retirement Benefits**

The only retirement benefit that the Company offers is our 401(k) plan, which is available to all employees. The Company currently provides a 3% match on an employee's contributions to the plan, up to the applicable limit set forth in the Internal Revenue Code.

**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information regarding the beneficial ownership (as such term is defined in Rule 13d-3 under the Exchange Act) of our Common Stock as of October 23, 2017, except as noted below, by:

- each of our directors;
- each of our named executive officers (as defined in Item 402(m)(2) of Regulation S-K);
- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our Common Stock; and
- all of our directors and executive officers as a group.

Shares of our Common Stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of October 23, 2017 are deemed to be beneficially owned and outstanding for purposes of computing the share ownership and percentage of the person holding such options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other person. Except as indicated in the footnotes below, each holder listed below possesses sole voting and investment power with respect to their shares and such holder's address is c/o ADMA Biologics, Inc., 465 State Route 17 South, Ramsey, New Jersey 07446. An asterisk (*) denotes less than 1%. The information is not necessarily indicative of beneficial ownership for any other purpose. Percentage ownership calculations for beneficial ownership are based on 17,202,244 shares of Common Stock outstanding and 8,591,160 shares of Non-Voting Common Stock outstanding as of October 23, 2017. This table does not give effect to any transactions by any of the persons below that have occurred after October 23, 2017.

| | Shares Beneficially Owned | |
|---|---|---|
| Name of Beneficial Owner | Number | Percent (1) |
| Dr. Jerrold B. Grossman (2) | 209,187 | * |
| Adam S. Grossman (3) | 1,288,365 | 4.91 % |
| Steven A. Elms (4) | 3,668,883 | 14.19 % |
| Dov A. Goldstein, M.D. (5) | 3,668,883 | 14.19 % |
| Eric I. Richman (6) | 94,596 | * |
| Bryant E. Fong (7) | 1,494,016 | 5.78 % |
| Lawrence P. Guiheen (8) | 66,712 | * |

| | | |
|---|---|---|
| Brian Lenz (9) | 157,938 | * |
| James Mond, M.D., Ph.D. (10) | 199,753 | * |
| Dr. Bernhard Ehmer | — | — % |
| All directors and executive officers as a group (10 persons) | 7,240,162 | 26.81 % |
| | | |
| Owners of more than 5% of our Common Stock | | |
| Biotest Pharmaceuticals Corporation (11) | 12,886,740 | 49.96 % |
| Aisling Capital II LP (12) | 3,729,595 | 14.39 % |
| Biomark Capital Fund IV LP (13) | 1,494,016 | 5.78 % |

* Less than 1%.

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(1) Based on 17,202,244 shares of Common Stock outstanding and 8,591,160 shares of Non-Voting Common Stock outstanding.

(2) Includes 38,294 shares owned by the Genesis Foundation ("Genesis"). Dr. Grossman is the President of Genesis. Also includes options to purchase 93,807 shares of Common Stock but does not include options to purchase 95,730 shares of Common Stock, which have not vested and will not vest within 60 days.

(3) Includes 580,957 shares are owned by Hariden, LLC ("Hariden") and 259,000 shares owned by Areth. Mr. Grossman is the managing member of Hariden and a control person of Areth. Also includes options to purchase 436,802 shares of Common Stock but does not include options to purchase 687,625 shares of Common Stock which have not vested and will not vest within 60 days.

(4) Amount includes options to purchase 60,712 shares Mr. Elms for the benefit of Aisling, but does not include options to purchase 46,962 shares of Common Stock which have not vested and will not vest within 60 days, which are also held for the benefit of Aisling. Mr. Elms is Aisling's designee for nomination to the Company's Board. As a Managing Member of Aisling Partners, a control person of Aisling (see footnote 13), and as a member of the six member investment committee of Aisling's General Partner, Mr. Elms may be deemed to be the beneficial owner of shares of Common Stock owned of record by Aisling. The address for Mr. Elms is 888 Seventh Avenue, 12th Floor, New York, New York 10106.

(5) Amount includes options to purchase 60,712 shares held by Dr. Goldstein for the benefit of Aisling, but does not include options to purchase 46,962 shares of Common Stock which have not vested and will not vest within 60 days, which are also held for the benefit of Aisling. Dr. Goldstein is a member of the six member investment committee of Aisling GP (as defined below) and, as such, Dr. Goldstein may be deemed to be the beneficial owner of shares of Common Stock owned of record by Aisling (see footnote 13). Dr. Goldstein disclaims beneficial ownership of Aisling's investment in the Company, except to the extent of his pecuniary interest therein. The address for Dr. Goldstein is 888 Seventh Avenue, 12th Floor, New York, New York 10106.

(6) Amount includes options to purchase 88,296 shares of Common Stock but does not include options to purchase 65,192 shares of Common Stock which have not vested and will not vest within 60 days.

(7) Amount includes options to purchase 60,712 shares (and excludes options to purchase 46,962 shares, which have not vested and will not vest within 60 days) held for the benefit of Biomark. Mr. Fong is Biomark's designee for nomination to the Company's Board. Mr. Fong is a founding Managing Director and General Partner at Biomark. The address for Mr. Fong is c/o Biomark Capital Fund IV GP LLC, 537 Steamboat Rd., Suite 200, Greenwich, Connecticut 06830.

(8) Amount includes options to purchase 60,712 shares, does not include options to purchase 46,962 shares which have not vested and will not vest within 60 days, and includes 1,000 shares held beneficially by the Guiheen Trust. Mr. Guiheen is joint trustee of the Guiheen Trust.

(9) Amount includes options to purchase 149,438 shares, but does not include options to purchase 235,506 shares which have not vested and will not vest within 60 days.

(10) Amount includes options to purchase 196,364 shares, but does not include options to purchase 288,728 shares, which have not vested and will not vest within 60 days.

(11) The address of BPC is 901 Yamato Rd., Suite 101, Boca Raton, Florida 33431.

(12) The shares directly held by Aisling are deemed to be beneficially owned by Aisling Capital Partners, LP ("Aisling GP"), as general partner of Aisling, and Aisling Capital Partners, LLC ("Aisling Partners"), as general partner of Aisling GP, and may be deemed to be beneficially owned by each of the individual managing members of Aisling Partners. The individual managing members (collectively, the "Aisling Managers") of Aisling Partners are Dr. Andrew Schiff, Mr. Elms and Mr. Dennis Purcell. Aisling GP, Aisling Partners, and the Aisling Managers may share voting and dispositive power over the shares owned of record by Aisling. Dr. Goldstein disclaims beneficial ownership of Aisling's investment in the Company, except to the extent of his pecuniary interest therein. The address for Aisling GP, Aisling Partners, and the Aisling Managers is 888 Seventh Avenue, 12th Floor, New York, New York 10106. The information in the preceding sentences is based on Aisling's Schedule 13D/A filed with the SEC on January 25, 2017. Amount includes options to purchase an aggregate of 121,424 shares held by Mr. Elms and Dr. Goldstein for the benefit of Aisling, but does not include options to purchase an aggregate of 93,924 shares held by Mr. Elms and Dr. Goldstein for the benefit of Aisling, which have not vested and will not vest within 60 days. Also see footnotes 4 and 5.

(13) The shares directly held by Biomark are deemed to be beneficially owned by Biomark Capital Fund IV GP LLC ("Biomark GP"), and each of the individual managing directors of Biomark GP. The individual managing director (the "Biomark Manager") of Biomark GP, who is a member of the investment committee of Biomark GP, is David S. Wetherell. Biomark GP and the Manager may share voting and dispositive power over the shares owned of record by Biomark. The address for Biomark GP and the Managers is c/o Biomark Capital Fund IV GP LLC, 537 Steamboat Rd., Suite 200, Greenwich, CT 06830. The information in the preceding sentences is based on Biomark's Schedule 13D/A filed with the SEC on January 30, 2017. Amount includes options to purchase 60,712 shares of Common Stock held by Mr. Fong for the benefit of Biomark, but does not include options to purchase 46,962 shares held by Mr. Fong for the benefit of Biomark, which have not vested and will not vest within 60 days. Also see footnote 7.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Our Board is responsible for reviewing and approving all material transactions with any related party on a continuing basis. Related parties can include any of our directors or officers, holders of 5% or more of our voting securities and their immediate family members. We may not enter into a related person transaction unless our Board has reviewed and approved such transaction. We believe the transactions set forth below were executed on terms no less favorable to us than we could have obtained from unaffiliated third parties.

See “Executive Compensation” above for a discussion of director compensation, executive compensation and our named executive officers’ employment agreements.

### This Offering

Biotest AG and BPC have contractually committed to purchase up to an aggregate amount of $12.5 million of shares of Common Stock in this Offering, on a pro-rata basis, at the public offering price. In addition, certain of our other existing stockholders have also indicated an interest in purchasing shares of Common Stock in this Offering at the public offering price. Not all of these indications of interests are binding agreements or commitments to purchase, and thus certain parties may elect not to purchase shares of Common Stock in this Offering. Raymond James & Associates, Inc. will receive an underwriting discount and commission of 4.0% on the sale of shares of Common Stock to these existing stockholders.

### 2016 Offering

In connection with the Company’s April 2016 public offering of its Common Stock (the “2016 Offering”), on May 3, 2016: (i) Adam S. Grossman purchased 200,000 shares of Common Stock of the Company through an entity he controls, (ii) Dr. Jerrold B. Grossman purchased 45,770 shares of Common Stock of the Company through an entity he controls, (iii) Brian Lenz purchased 2,500 shares of Common Stock of the Company, and (iv) Dr. James Mond purchased 770 shares of Common Stock of the Company, all at the public offering price of $6.50 (collectively, the “Purchases”). On April 22, 2016, the Board approved a waiver of the Company’s Code of Conduct and Ethics, related to its Insider Trading Compliance Program, to allow for the Purchases in the 2016 Offering by the above individuals.

### Shared Services Agreement and Other Arrangements

Our headquarters are located in approximately 4,200 square feet of space at 465 State Route 17 South, Ramsey, New Jersey. Currently we operate under a Shared Services Agreement with Areth for the office, warehouse space and certain related services and have the ability to cancel this agreement upon 30 days' notice. Areth is a company controlled by Dr. Jerrold B. Grossman, our Vice Chairman, and Adam S. Grossman, our President and Chief Executive Officer, and we pay monthly fees for the use of such office space and for other information technology, general warehousing and administrative services. Rent under the shared services agreement is $16,000 per month. Effective October 1, 2017, rent under the Shared Services Agreement decreased to $10,000 per month.

We maintain deposits and other accounts at Pascack Bankcorp, a bank of which Dr. Grossman served as a director through January 2016, and which was approximately 5%-owned by members of the Grossman family. Pascack Bankcorp was acquired by Lakeland Bancorp, Inc. in January 2016 and Dr. Grossman is currently a member of the Corporate Advisory Council of Lakeland Bancorp Inc.

**Director Independence**

Our Board has determined that each of Mr. Richman, Dr. Goldstein, Mr. Fong and Mr. Guiheen are independent as that term is defined under the applicable independence listing standards of Nasdaq.

**Description of Securities**

**General**

The total number of shares of capital stock that the Company has authority to issue is 93,591,160, divided into three classes consisting of (i) 75,000,000 shares of Common Stock, (ii) 8,591,160 shares of Non-Voting Common Stock, and (iii) 10,000,000 shares of preferred stock, par value $0.0001 par value ("Preferred Stock").

As of October 23, 2017, there were 17,202,244 shares of Common Stock issued and outstanding and an additional 3,471,651 shares issuable upon exercise of outstanding options and warrants. Of the 3,471,651 shares of Common Stock issuable upon exercise of outstanding options and warrants, 2,768,184 shares are issuable to officers and directors of the Company, 514,608 shares are issuable to other employees of the Company, and 188,859 shares are issuable to current and former noteholders of the Company.

As of October 23, 2017, there were 8,591,160 shares of Non-Voting Common Stock issued and outstanding. All outstanding shares of Non-Voting Common Stock were issued to BPC in connection with the closing of the Biotest Transaction on June 6, 2017.

As of October 23, 2017, there were no shares of Preferred Stock issued and outstanding.

**Common Stock**

***Voting***

The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the Company's stockholders. The holders of a majority of the outstanding shares of Common Stock constitute a quorum at a meeting of stockholders for the transaction of any business. Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Any other action is authorized by a majority of the votes cast, except where the Delaware General Corporation Law, or DGCL, prescribes a different percentage of votes and/or a different exercise of voting power.

***Dividends***

Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock, dividends may be declared and paid on the Common Stock out of funds legally available therefor at such times and in such amounts as the Board, in its discretion, shall determine; provided, however, that simultaneously with the declaration and payment of any dividends on the Non-Voting Common Stock, a like dividend in form and amount per share shall also be declared and paid on the Common Stock (except that, if such dividend on the Non-Voting Common Stock is paid in the form of shares of Common Stock or Non-Voting Common Stock or rights or options to acquire Common Stock or Non-Voting Common Stock, the holders of shares of Common Stock shall receive equivalent shares of Common Stock or rights or options to acquire Common Stock, as the case may be).

***Distributions Upon Dissolution, Liquidation or Winding Up***

Upon the dissolution, liquidation or winding up of the Company, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, the holders of the Common Stock shall be entitled to receive the assets of the Company available for distribution to its stockholders ratably in proportion to the number of shares of Common Stock held by them. The holders of common stock do not have cumulative or preemptive rights.

**Non-Voting Common Stock**

***Voting***

Except as otherwise required by applicable law, shares of Non-Voting Common Stock shall have no voting power and the holders thereof, as such, are not entitled to vote on any matter that is submitted to a vote of the stockholders of the Company; provided, however, that for so long as any shares of Non-Voting Common Stock are outstanding, the Company shall not, without the prior vote of the holders of at least a majority of the shares of Non-Voting Common Stock then outstanding (voting separately as a single class), amend, alter or repeal, whether by merger, consolidation or otherwise (other than in connection with a Liquidation Event (as defined in the Stockholders Agreement of the Company, by and among the Company, BPC and such other persons who become a party thereto, dated as of June 6, 2017 (the “Stockholders Agreement”)), (i) Section 4.3 of the Company’s A&R Certificate of Incorporation or (ii) any other provision of the A&R Certificate of Incorporation to alter or change the powers, preferences, or special rights of the shares of Non-Voting Common Stock in an adverse manner to the powers, preferences or special rights of the shares of Common Stock.

***Dividends***

Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock, dividends may be declared and paid on the Non-Voting Common Stock out of funds legally available therefor at such times and in such amounts as the Board in its discretion shall determine; provided, however, that simultaneously with the declaration and payment of any dividends on the Common Stock, a like dividend in form and amount per share shall also be declared and paid on the Non-Voting Common Stock (except that, if (i) such dividend on the Common Stock is paid in the form of shares of Common Stock or rights or options to acquire Common Stock, (ii) the holders of Non-Voting Common Stock would own more than 30% of the outstanding Common Stock following the issuance of such Common Stock dividend and (iii) the Standstill Period (as defined in the Stockholders Agreement) has not expired or been earlier terminated pursuant to and in accordance with the terms and conditions of the Stockholders Agreement, the holders of shares of Non-Voting Common Stock shall receive equivalent shares of Non-Voting Common Stock or rights or options to acquire Non-Voting Common Stock, as the case may be).

***Distributions Upon Dissolution, Liquidation or Winding Up***

Upon the dissolution, liquidation or winding up of the Company, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, the holders of the Non-Voting Common Stock shall be entitled to receive the assets of the Company available for distribution to its stockholders ratably in proportion to the number of shares of Common Stock held by them.

***Conversion Rights of Non-Voting Common Stock***

The Non-Voting Common Stock is convertible into Common Stock:

upon the earliest to occur of (1) the expiration or earlier termination of the Standstill Period (as defined in the Stockholders Agreement), (2) immediately prior to the consummation of any Liquidation Event (as defined in the Stockholders Agreement) and (3) immediately prior to the taking of any action by the Board or earlier record date for any vote of stockholders in connection with any insolvency, voluntary or involuntary bankruptcy, liquidation or assignment for the benefit of creditors of the Company or termination of the Company’s status as a reporting company under the Exchange Act;

upon consummation of a Permitted Sale (as defined in the Company’s A&R Certificate of Incorporation);

at the option of the holder thereof, if (1) it is the subject of a legally binding sale agreement to be sold in a transaction constituting a Permitted Sale, (2) it is required to be registered under the Securities Act pursuant to the terms of such sale agreement, (3) the Common Stock into which such share otherwise would automatically convert upon the consummation of such Permitted Sale constitutes a "Registrable Security" under the Registration Rights Agreement, (4) the holder delivers a legally binding agreement not to vote the Common Stock into which such share is converted until the earlier of the consummation of such Permitted Sale or the termination of the Standstill Period, and (5) the holder follows certain other notice procedures necessary to exercise its optional conversion rights;

at the option of the holder thereof, if (1) it intends and irrevocably commits to the Company to use its reasonable efforts to sell such Common Stock in the public market within 60 days of such notice and such sale constitutes a Permitted Sale (a "Market Sale"); (2) it has executed and delivered to the Company a legally binding written agreement enforceable by the Company that, prior to the earlier of (A) the consummation of such Market Sale and (B) the expiration or earlier termination of the Standstill Period in accordance with and pursuant to the terms and conditions of the Stockholders Agreement, such holder shall not vote any of the Common Stock issued to such holder upon conversion of such converted share of non-voting Common Stock; (3) such Market Sales shall be conducted in compliance with all applicable requirements of the Securities Act; and (4) it follows certain other notice procedures necessary to exercise its optional conversion rights; and

at the option of the holder thereof, if (1) the Company issues additional shares of Common Stock (a "Dilutive Issuance"), (2) as a result of such Dilutive Issuance, the percentage of the voting power of the Company represented by all shares of Common Stock held by BPC immediately following the Dilutive Issuance is lower than the voting percentage of all shares of Common Stock held by BPC immediately prior to the Dilutive Issuance, and (3) the holder follows certain other notice procedures necessary to exercise its optional conversion rights; provided, however, that the maximum number of shares of Non-Voting Common Stock that may be converted in respect of a Dilutive Issuance is the number of shares that, upon conversion, results in the voting percentage of all shares of Common Stock held by BPC immediately following such conversion being equal to the voting percentage of all shares of Common Stock held by BPC immediately prior to the Dilutive Issuance.

**Preferred Stock**

No shares of Preferred Stock are currently outstanding, and the Company has no current plans to issue Preferred Stock. The issuance of shares of Preferred Stock, or the issuance of rights to purchase Preferred Stock, could be used to discourage an unsolicited acquisition proposal. For example, a business combination could be impeded by the issuance of a series of Preferred Stock containing class voting rights that would enable the holder or holders of such series to block any such transaction. Alternatively, a business combination could be facilitated by the issuance of a series of Preferred Stock having sufficient voting rights to provide a required percentage vote of the Company's stockholders. In addition, under some circumstances, the issuance of Preferred Stock could adversely affect the voting power and other rights of the holders of Common Stock. Although prior to issuing any series of Preferred Stock the Board is required to make a determination as to whether the issuance is in the best interests of the Company's stockholders, the board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in their best interests or in which the stockholders might receive a premium for their stock over prevailing market prices of such stock. The Board does not presently intend to seek stockholder approval prior to any issuance of currently authorized Preferred Stock, unless otherwise required by law or applicable stock exchange requirements.

**Warrants**

In May 2016, the Company issued to Oxford warrants to purchase an aggregate of up to 24,800 shares of the Company's Common Stock at an exercise price equal to $6.37 per share. The warrants became exercisable on May 13, 2016 for cash or by net exercise and will expire seven years after their issuance on May 13, 2023. In connection with the LSA with Oxford, on June 19, 2015, the Company issued to Oxford a seven year warrant, expiring on June 19, 2022, to purchase 74,309 shares of Common Stock at an exercise price of $8.51 per share. In connection with the Company's prior loan facility with Hercules, on December 21, 2012, the Company issued to Hercules a warrant to purchase 31,750 shares of Common Stock with an exercise price of $7.56, subject to customary anti-dilution adjustments. In connection with the Company's prior loan facility, the Company issued to Hercules a warrant to purchase 23,200 and 34,800 shares of Common Stock of the Company in February and December 2014, respectively, with an exercise price set at the lower of (i) $7.50 per share or (ii) the price per share of the next round of financing from the expiration of the exercise price adjustment, subject to customary anti-dilution adjustments. The warrant expires after 10 years and has piggyback registration rights with respect to the shares of Common Stock underlying the warrant. The down round warrant protection feature resulting in the warrant liability's quarterly "mark-to-market" valuation has terminated as of the end of the one-year period following the amended loan closing on February 24, 2014.

As consideration for the Credit Agreement, the Company has issued, on October 10, 2017, the Tranche One Warrant. The Tranche One Warrant has (i) an exercise price equal to $3.10, which is the trailing 10-day VWAP of the Company's Common Stock prior to October 10, 2017, and (ii) an expiration date of October 10, 2024. The Tranche One Warrant is exercisable for 338,710 shares of Common Stock, or 3.5% of the Tranche One Loan. In the event that

the Tranche Two Loan is issued to the Company, the Company shall issue the Tranche Two Warrant to purchase such number of shares of Common Stock equal to 3.5% of the Tranche Two Loan, which shall have an exercise price equal to the trailing 10-day VWAP of the Common Stock prior to the issuance date of the Tranche Two Warrant and an expiration date equal to the seven year anniversary of the issuance of the Tranche Two Warrant.

**Registration Rights**

At the closing of the Biotest Transaction, the Company entered into the Registration Rights Agreement with BPC, pursuant to which BPC, and/or its affiliate(s), will have, among other things, certain registration rights under the Securities Act with respect to its shares of the Company's Common Stock, subject to certain transfer restrictions.

**Indemnification of Directors and Officers**

The Company's directors and officers are indemnified as provided by the Delaware General Corporation Law, the Company's A&R Certificate of Incorporation, and the Company's Amended and Restated Bylaws. The Company has been advised that, in the opinion of the SEC, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of the Company's directors, officers, or controlling persons in connection with the securities being registered, the Company will, unless in the opinion of its legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. The Company will then be governed by the court's decision.

We are party to indemnification agreements with each of our directors and officers. These agreements require us to, among other things, indemnify our directors and officers against certain liabilities which may arise by reason of their status or service as directors or officers to the fullest extent permitted by applicable laws. These indemnification provisions and the indemnification agreements are sufficiently broad to permit indemnification of our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act. The Company also maintains director and officer liability insurance.

**Delaware Anti-Takeover Law**

The Company is subject to the provisions of Section 203 of the DGCL. Section 203 prohibits publicly held Delaware corporations from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. These provisions could have the effect of delaying, deferring or preventing a change of control of the Company or reducing the price that certain investors might be willing to pay in the future for shares of the Company's stock.

**Staggered Board; Removal of Directors; Certificate of Incorporation**

The Company's A&R Certificate of Incorporation divides the Company's board of directors into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of the Company's stockholders, with the other classes continuing for the remainder of their respective three year terms. Except as the DGCL may otherwise require, any newly created directorships or vacancies on the Board may be filled only by the board of directors, but subject to the rights of holders of any series of Preferred Stock and to the terms and conditions of the Stockholders Agreement.

The Company's A&R Certification Incorporation provides that (i) all stockholder actions must be effected at a duly called meeting of the stockholders and (ii) stockholders may not adopt actions by written consent without a meeting.

The combination of these provisions will make it more difficult for the Company's existing stockholders to replace the Board as well as for another party to obtain control of the Company by replacing the Board. Since the board of directors has the power to retain and discharge the officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated Preferred Stock makes it possible for the Board to issue Preferred Stock with voting or other rights or preferences that could impede any attempt to effect a change of control of the Company.

**Transfer Agent**

Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York, serves as the transfer agent and registrar for the Company’s stock.

**UNDERWRITING**

Raymond James & Associates, Inc. is acting as representative of each of the underwriters named below, with Raymond James & Associates, Inc. serving as sole book-running manager in this Offering. Subject to the conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us the number of shares of our Common Stock set forth opposite its name below:

| **Name** | **Number of Shares** |
|---|---|
| Raymond James & Associates, Inc. | |
| Total: | |

The underwriters are offering the shares of Common Stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Common Stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of Common Stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the Offering may be terminated.

Biotest AG and BPC have contractually committed to purchase up to an aggregate amount of $12.5 million of shares of Common Stock in this Offering, on a pro-rata basis, at the public offering price. In addition, certain of our other existing stockholders have also indicated an interest in purchasing shares of Common Stock in this Offering at the public offering price. Not all of these indications of interests are binding agreements or commitments to purchase, and thus certain parties may elect not to purchase shares of Common Stock in this Offering. Raymond James & Associates, Inc. will receive an underwriting discount and commission of 4.0% on the sale of shares of Common Stock to these existing stockholders.

The underwriters propose to offer part of the shares of Common Stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at that price less a concession not in excess of $ per share. Sales of shares made outside of the U.S. may be made by affiliates of the underwriters.

**Option to Purchase Additional Shares of Common Stock**

We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of Common Stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option in whole or in part. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of Common Stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of Common Stock listed next to the names of all underwriters in the preceding table.

**Discounts and Expenses**

The following table shows per share and total public offering prices, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares of Common Stock.

| | Per Share | Total No Exercise | Total Full Exercise |
|---|---|---|---|
| Public offering price | | | |
| Underwriting discounts and commissions | | | |
| Proceeds, before expenses | | | |

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $ .

In addition to the underwriting discounts and commissions, we have agreed to pay or reimburse Raymond James & Associates, Inc. for out-of-pocket expenses up to a maximum of $125,000 in connection with this Offering.

**Indemnification**

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

**Lock-Up Agreements**

In connection with this Offering, subject to specified exceptions, we and each of our directors, officers, and certain of our stockholders have agreed that, subject to certain exceptions, without the prior written consent of Raymond James & Associates, Inc. as representative on behalf of the underwriters, we and they will not, subject to customary exceptions, during the period ending 90 days after the date of the final prospectus relating to this Offering:

- offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, encumber, assign, borrow or otherwise dispose of or transfer, any shares of our stock or options, warrants or other securities with respect to our stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our Common Stock.

The preceding restrictions apply without regard to whether any such transaction described above is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

**Stabilization**

Until this Offering is completed, rules of the SEC may limit the ability of the underwriters and various selling group members to bid for and purchase the shares of our Common Stock. As an exception to these rules and in accordance with Regulation M under the Exchange Act, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our Common Stock in order to facilitate the offering of the Common Stock, including: short sales; syndicate covering transactions; imposition of penalty bids; and purchases to cover positions created by

short sales.

Stabilizing transactions may include making short sales of shares of our Common Stock, which involve the sale by the underwriters of a greater number of shares than it is required to purchase in this Offering and purchasing shares of Common Stock from us by exercising the option or in the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the underwriters’ option referred to above, or may be “naked” shorts, which are short positions in excess of that amount.

Each underwriter may close out any covered short position either by exercising its option, in whole or in part, or by purchasing shares of Common Stock in the open market after the distribution has been completed. In making this determination, each underwriter will consider, among other things, the price of shares of our Common Stock available for purchase in the open market compared to the price at which the underwriter may purchase shares of our Common Stock pursuant to the underwriters’ option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of shares of our Common Stock in the open market after pricing that could adversely affect investors who purchased in this Offering. To the extent that the underwriters create a naked short position, they will purchase shares of our Common Stock in the open market to cover the position after the pricing of this Offering.

The underwriters also may impose a penalty bid on selling group members. This means that if the underwriters purchase shares of our Common Stock in the open market in stabilizing transactions or to cover short sales, the underwriters can require the selling group members that sold those shares as part of this Offering to repay the selling concession received by them.

As a result of these activities, the price of shares of our Common Stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them without notice at any time. The underwriters may carry out these transactions on the NASDAQ Capital Market or otherwise.

The underwriters are not required to engage in these activities and may end any of these activities at any time.

**Relationships and Conflict of Interest**

Certain of the underwriters and their affiliates may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates, and for the selling stockholders and their affiliates, in the ordinary course of their business, for which they will receive customary fees and commissions, as applicable, and reimbursement for out-of-pocket expenses. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

**Notice to Non-U.S. Investors**

*Belgium*

The Offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this document or any other offering material relating to the shares has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission ("Commission bancaire, financière et des assurances/Commissie voor het Bank, Financie en Assurantiewezen"). Any representation to the contrary is unlawful.

Each underwriter has undertaken not to offer sell, resell, transfer or deliver directly or indirectly, any units, or to take any steps relating/ancillary thereto, and not to distribute or publish this document or any other material relating to the units or to the Offering in a manner which would be construed as: (a) a public offering under the Belgian Royal Decree of 7 July 1999 on the public character of financial transactions; or (b) an offering of securities to the public under Directive 2003/71/EC which triggers an obligation to publish a prospectus in Belgium. Any action contrary to these restrictions will cause the recipient and the Company to be in violation of the Belgian securities laws.

*France*

Neither this prospectus supplement nor any other offering material relating to the shares has been submitted to the clearance procedures of the Autorité des marchés financiers in France. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor any other offering material relating to the shares has been or will be: (a) released, issued, distributed or caused to be released, issued or distributed to the public in France; or (b) used in connection with any offer for subscription or sale of the shares to the public in France. Such offers, sales and distributions will be made in France only: (i) to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in and in accordance with Articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier; (ii) to investment services providers authorised to engage in portfolio management on behalf of third parties; or (iii) in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des marchés financiers, does not constitute a public offer (appel public à l'épargne). Such shares may be resold only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

*United Kingdom/Germany/Norway/The Netherlands*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the Offering contemplated by this prospectus supplement may not be made in that Relevant Member State other than the offers contemplated in this prospectus supplement in name(s) of Member State(s) where prospectus will be approved or passported for the purposes of a non-exempt offer once this prospectus supplement has been approved by the competent authority in such Member State and published and passported in accordance with the Prospectus Directive as implemented in name(s) of relevant Member State(s) except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the representative to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall result in a requirement for the publication by the Company or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of any shares in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

*Israel*

In the State of Israel, the shares offered hereby may not be offered to any person or entity other than the following:

(a) a fund for joint investments in trust (i.e., mutual fund), as such term is defined in the Law for Joint Investments in Trust, 5754-1994, or a management company of such a fund;

(b) a provident fund as defined in Section 47(a)(2) of the Income Tax Ordinance of the State of Israel, or a management company of such a fund;

(c) an insurer, as defined in the Law for Oversight of Insurance Transactions, 5741-1981, (d) a banking entity or satellite entity, as such terms are defined in the Banking Law (Licensing), 5741-1981, other than a joint services company, acting for their own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;

(d) a company that is licensed as a portfolio manager, as such term is defined in Section 8(b) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;

(e) a company that is licensed as an investment advisor, as such term is defined in Section 7(c) of the Law for the Regulation of Investment Advisors and Portfolio Managers, 5755-1995, acting on its own account;

(f) a company that is a member of the Tel Aviv Stock Exchange, acting on its own account or for the account of investors of the type listed in Section 15A(b) of the Securities Law 1968;

(g) an underwriter fulfilling the conditions of Section 56(c) of the Securities Law, 5728-1968;

(h) a venture capital fund (defined as an entity primarily involved in investments in companies which, at the time of investment, (i) are primarily engaged in research and development or manufacture of new technological products or processes and (ii) involve above-average risk);

(i) an entity primarily engaged in capital markets activities in which all of the equity owners meet one or more of the above criteria; and

(j) an entity, other than an entity formed for the purpose of purchasing shares in this Offering, in which the shareholders equity (including pursuant to foreign accounting rules, international accounting regulations and U.S. generally accepted accounting rules, as defined in the Securities Law Regulations (Preparation of Annual Financial Statements), 1993) is in excess of NIS 50 million.

Any offeree of the shares offered hereby in the State of Israel shall be required to submit written confirmation that it falls within the scope of one of the above criteria. This prospectus supplement will not be distributed or directed to investors in the State of Israel who do not fall within one of the above criteria.

*Italy*

The offering of the shares offered hereby in Italy has not been registered with the Commissione Nazionale per la Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, the shares offered hereby cannot be offered, sold or delivered in the Republic of Italy ("Italy") nor may any copy of this prospectus supplement or any other document relating to the shares offered hereby be distributed in Italy other than to professional investors (operatori qualificati) as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July, 1998 as subsequently amended. Any offer, sale or delivery of the shares offered hereby or distribution of copies of this prospectus supplement or any other document relating to the shares offered hereby in Italy must be made:

(a) by an investment firm, bank or intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 58 of 24 February 1998 and Legislative Decree No. 385 of 1 September 1993 (the "Banking Act");

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy; and

(c) in compliance with any other applicable laws and regulations and other possible requirements or limitations which may be imposed by Italian authorities.

*Sweden*

This prospectus supplement has not been nor will it be registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this prospectus supplement may not be made available, nor may the shares offered hereunder be marketed and offered for sale in Sweden, other than under circumstances which are deemed not to require a prospectus under the Financial Instruments Trading Act (1991: 980).

*Switzerland*

The shares offered pursuant to this prospectus supplement will not be offered, directly or indirectly, to the public in Switzerland and this prospectus supplement does not constitute a public offering prospectus as that term is understood pursuant to art. 652a or art. 1156 of the Swiss Federal Code of Obligations. The company has not applied for a listing of the shares being offered pursuant to this prospectus supplement on the SWX Swiss Exchange or on any other regulated securities market, and consequently, the information presented in this prospectus supplement does not necessarily comply with the information standards set out in the relevant listing rules. The shares being offered pursuant to this prospectus supplement have not been registered with the Swiss Federal Banking Commission as foreign investment funds, and the investor protection afforded to acquirers of investment fund certificates does not extend to acquirers of shares.

Investors are advised to contact their legal, financial or tax advisers to obtain an independent assessment of the financial and tax consequences of an investment in shares.

*Canada*

*Notice to Canadian Residents*

This document constitutes an “exempt offering document” as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the securities described herein (the “Securities”). No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the Securities and any representation to the contrary is an offence.

**Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (“NI 33-105”). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement to provide investors with certain conflicts of interest disclosure pertaining to “connected issuer” and/or “related issuer” relationships as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.**

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*Resale Restrictions*

The offer and sale of the Securities in Canada is being made on a private placement basis only and is exempt from the requirement to prepare and file a prospectus under applicable Canadian securities laws. Any resale of Securities acquired by a Canadian investor in this Offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the Securities outside of Canada.

*Representations of Purchasers*

Each Canadian investor who purchases the Securities will be deemed to have represented to the issuer and to each dealer from whom a purchase confirmation is received, as applicable, that the investor (i) is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (ii) is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* ("NI 45-106") or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario); and (iii) is a "permitted client" as such term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

*Taxation and Eligibility for Investment*

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the Securities and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the Securities or with respect to the eligibility of the Securities for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

*Rights of Action for Damages or Rescission*

Securities legislation in certain of the Canadian jurisdictions provides certain purchasers of securities pursuant to an offering memorandum, including where the distribution involves an "eligible foreign security" as such term is defined in Ontario Securities Commission Rule 45-501 *Ontario Prospectus and Registration Exemptions* and in Multilateral Instrument 45-107 *Listing Representation and Statutory Rights of Action Disclosure Exemptions*, as applicable, with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum, or other offering document that constitutes an offering memorandum, and any amendment thereto, contains a "misrepresentation" as defined under applicable Canadian securities laws. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed under, and are subject to limitations and defences under, applicable Canadian securities legislation. In addition, these remedies are in addition to and without derogation from any other right or remedy available at law to the investor.

*Language of Documents*

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

**LEGAL MATTERS**

DLA Piper LLP (US), located at 51 John F. Kennedy Parkway, Suite 120, Short Hills, New Jersey 07078, will pass on the validity of the Common Stock being offered pursuant to this prospectus. The underwriters are being represented by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.

**EXPERTS**

The consolidated financial statements of ADMA Biologics, Inc. as of December 31, 2016 and 2015, and for the years ended December 31, 2016 and 2015, included and incorporated by reference in this prospectus and the registration statement have been audited by CohnReznick LLP, an independent registered public accounting firm, to the extent and for the periods set forth in their report, which includes an explanatory paragraph relating to the Company's ability to continue as a going concern, appearing elsewhere herein and in the registration statement, and are included and incorporated by reference in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

The financial statements of the BTBU of BPC (which comprise the carve-out balance sheet as of December 31, 2016 and the related carve-out statements of operations, changes in invested equity and cash flows for the year then ended), incorporated by reference in this prospectus and the registration statement have been audited by CohnReznick LLP, an independent registered public accounting firm, to the extent and for the period set forth in their report, which includes an explanatory paragraph relating to the Company's ability to continue as a going concern, incorporated by reference herein and in the registration statement, and are incorporated by reference in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

The financial statements of the BTBU of BPC (which comprise the carve-out balance sheet as of December 31, 2015 and the related carve-out statements of operations, changes in invested equity and cash flows for the year then ended), incorporated by reference in this prospectus and the registration statement have been audited by Rödl Langford de Kock LLP, an independent auditor, to the extent and for the period set forth in their report, which includes an explanatory paragraph relating to the Company's ability to continue as a going concern, incorporated by reference herein and in the registration statement, and are incorporated by reference in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and periodic reports, proxy statements and other information with the SEC. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549 on official business days during the hours of 10:00am and 3:00pm. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Many of our SEC filings are also available to the public from the SEC's Website at "http://www.sec.gov." We make available free of charge our annual, quarterly and current reports, proxy statements and other information upon request. To request such materials, please contact Brian Lenz, our Chief Financial Officer, at the following address or telephone number: ADMA Biologics, Inc. 465 Route 17, Ramsey, New Jersey 07446, Attention: Brian Lenz, Vice President and Chief Financial Officer, (201) 478-5552. Exhibits to the documents will not be sent, unless those exhibits have specifically been incorporated by reference in this prospectus.

Copies of certain information filed by us with the SEC are also available on our website at www.admabiologics.com. Information contained in, or accessible through, our website does not constitute a part of this prospectus or any accompanying prospectus supplement.

This prospectus is part of a registration statement we filed with the SEC. This prospectus omits some information contained in the registration statement in accordance with SEC rules and regulations. You should review the information and exhibits in the registration statement for further information about us and our consolidated subsidiaries and the securities we are offering. Statements in this prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements.

**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

The SEC permits us to "incorporate by reference" the information contained in documents we have filed with the SEC, which means that we can disclose important information to you by referring you to those documents rather than by including them in this prospectus. Information that is incorporated by reference is considered to be part of this prospectus and you should read it with the same care that you read this prospectus. We have filed with the SEC, and incorporate by reference in this prospectus:

- our Annual Report on Form 10-K for the year ended December 31, 2016, filed on February 24, 2017;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, filed on May 12, 2017 and August 11, 2017, respectively;
- our definitive merger proxy statement on Schedule 14A, filed on April 26, 2017 (as supplemented on May 10, 2017);
- our Current Reports on Form 8-K filed with the SEC on January 23, 2017, February 17, 2017, May 10, 2017, May 25, 2017, May 30, 2017, June 9, 2017, June 12, 2017 (as amended on July 28, 2017), June 27, 2017, July 31, 2017 and October 11, 2017 (provided that any portions of such reports that are deemed furnished and not filed pursuant to instructions to Form 8-K shall not be incorporated by reference into this prospectus); and
- the description of Common Stock set forth in or Registration Statement on Form 8-A12B filed with the SC on November 5, 2014 pursuant to Section 12(b) of the Exchange Act, including any amendment or report filed for the purpose of updating such description.

Any statement contained in any document incorporated by reference herein will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or any additional prospectus supplements modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon written or oral request, a copy of any or all documents that are incorporated by reference into this prospectus, but not delivered with this prospectus, other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this prospectus incorporates. To request such materials, please contact Brian Lenz, our Chief Financial Officer, at the following address or telephone number: ADMA Biologics, Inc. 465 Route 17, Ramsey, New Jersey 07446, Attention: Brian Lenz, Vice President and Chief Financial Officer, (201) 478-5552. A copy of all documents that are incorporated by reference into this prospectus can also be found on our

website by accessing http://ir.admabiologics.com/all-sec-filings.

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**Financial Statements**

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**ADMA BIOLOGICS, INC. AND SUBSIDIARies**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | June 30, 2017 (Unaudited) | December 31, 2016 (Note 2) |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $25,574,009 | $9,914,867 |
| Short-term investments | — | 5,390,184 |
| Accounts receivable | 2,292,274 | 1,018,027 |
| Inventories | 13,150,733 | 5,020,146 |
| Prepaid expenses and other current assets | 2,408,459 | 313,914 |
| Assets held for sale | 845,389 | — |
| Total current assets | 44,270,864 | 21,657,138 |
| Property and equipment, net | 28,626,668 | 2,000,784 |
| Intangible assets, net | 6,011,003 | — |
| Goodwill | 3,529,509 | — |
| Assets to be transferred under purchase agreement | 1,698,755 | — |
| Deposits | 502,454 | 27,163 |
| TOTAL ASSETS | $84,639,253 | $23,685,085 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | $4,672,316 | $2,564,681 |
| Accrued expenses | 4,143,812 | 2,385,356 |
| Current portion of notes payable | 6,666,667 | 6,111,111 |
| Current portion of deferred revenue | 145,154 | 145,154 |
| Other current liabilities | 17,062 | 16,559 |
| Total current liabilities | 15,645,011 | 11,222,861 |
| Notes payable, net of discount | 9,360,708 | 12,321,640 |
| End of term liability, notes payable | 1,790,000 | 1,790,000 |
| Deferred revenue, net of current portion | 2,618,616 | 2,690,033 |
| Note payable - related party, net of discount | 14,827,148 | — |
| Purchase price payable | 12,621,844 | — |
| Other non-current liabilities | 93,937 | 117,813 |
| TOTAL LIABILITIES | 56,957,264 | 28,142,347 |
| COMMITMENTS AND CONTINGENCIES | — | — |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |

| | | |
|---|---|---|
| Preferred Stock, $0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding | — | — |
| Common Stock - voting, $0.0001 par value, 75,000,000 shares authorized, 17,182,321 and 12,886,741 shares issued and outstanding | 1,719 | 1,289 |
| Common Stock - non-voting, $0.0001 par value, 8,591,160 shares authorized, 8,591,160 and 0 shares issued and outstanding | 859 | — |
| Additional Paid-In Capital | 150,187,687 | 102,476,267 |
| Accumulated Deficit | (122,508,276) | (106,934,818) |
| TOTAL STOCKHOLDERS' EQUITY (DEFICIT) | 27,681,989 | (4,457,262) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | $84,639,253 | $23,685,085 |

See notes to (unaudited) condensed consolidated financial statements.

**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| REVENUES: | | | | |
| Product revenue | $3,363,692 | $2,236,035 | $5,956,855 | $4,324,213 |
| License and other revenue | 35,709 | 35,709 | 71,417 | 71,417 |
| Total Revenues | 3,399,401 | 2,271,744 | 6,028,272 | 4,395,630 |
| OPERATING EXPENSES: | | | | |
| Cost of product revenue (exclusive of amortization expense shown below) | 4,334,019 | 1,344,241 | 5,950,306 | 2,610,662 |
| Research and development | 1,358,409 | 3,399,889 | 2,551,136 | 5,427,601 |
| Plasma centers | 1,600,170 | 1,294,301 | 3,079,646 | 2,574,720 |
| Amortization of intangibles | 73,021 | — | 73,021 | — |
| Selling, general and administrative | 4,435,650 | 1,724,163 | 8,713,034 | 3,432,033 |
| TOTAL OPERATING EXPENSES | 11,801,269 | 7,762,594 | 20,367,143 | 14,045,016 |
| LOSS FROM OPERATIONS | (8,401,868) | (5,490,850) | (14,338,871) | (9,649,386) |
| OTHER INCOME (EXPENSE): | | | | |
| Interest income | 7,858 | 12,017 | 26,426 | 25,525 |
| Interest expense | (642,485) | (537,998) | (1,261,013) | (1,005,439) |
| Other income | — | 4,496 | — | 4,496 |
| OTHER EXPENSE, NET | (634,627) | (521,485) | (1,234,587) | (975,418) |
| NET LOSS | $(9,036,495) | $(6,012,335) | $(15,573,458) | $(10,624,804) |
| BASIC AND DILUTED LOSS PER COMMON SHARE | $(0.55) | $(0.50) | $(1.06) | $(0.93) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| Basic and Diluted | 16,427,054 | 12,121,500 | 14,666,677 | 11,407,918 |

See notes to (unaudited) condensed consolidated financial statements.

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**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN**

**STOCKHOLDERS' DEFICIENCY**

**(Unaudited)**

**For the Six Months Ended June 30, 2017**

| | Common Stock Voting Shares | Amount | Non-Voting Shares | Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| Balance - January 1, 2017 | 12,886,741 | $1,289 | — | $— | $102,476,267 | $(106,934,818) | $(4,457,262) |
| Stock-based compensation | — | — | — | — | 547,240 | — | 547,240 |
| Shares issued in connection with acquisition | 4,295,580 | 430 | 8,591,160 | 859 | 47,164,180 | — | 47,165,469 |
| Net loss | — | — | — | — | — | (15,573,458) | (15,573,458) |
| Balance - June 30, 2017 | 17,182,321 | $1,719 | 8,591,160 | $859 | $150,187,687 | $(122,508,276) | $27,681,989 |

See notes to (unaudited) condensed consolidated financial statements.

**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(15,573,458) | $(10,624,804) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 395,194 | 234,394 |
| Loss on disposal of fixed assets | 4,155 | — |
| Stock-based compensation | 547,240 | 733,125 |
| Amortization of debt discount | 374,389 | 294,498 |
| Amortization of license revenue | (71,417) | (71,417) |
| Changes in operating assets and liabilities, net of acquisition: | | |
| Accounts receivable | (1,274,246) | 97,753 |
| Inventories | 66,766 | (763,553) |
| Prepaid expenses | (1,298,991) | (527,032) |
| Other assets | (475,291) | — |
| Accounts payable | 1,763,025 | 1,034,093 |
| Accrued expenses | 1,384,140 | (363,884) |
| Other current liabilities | (15,280) | (15,280) |
| Net cash used in operating activities | (14,173,774) | (9,972,107) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Sales of short-term investments | 5,390,184 | — |
| Purchase of short-term investments | — | (4,902,786) |
| Purchase of property and equipment | (96,557) | (58,034) |
| Cash acquired in acquisition transaction | 12,500,000 | — |
| Net cash provided by (used in) investing activities | 17,793,627 | (4,960,820) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on notes payable | (2,777,778) | — |
| Proceeds from issuance of common stock, net of offering expenses | — | 13,072,741 |
| Proceeds from issuance of related party note payable | 15,000,000 | — |
| Proceeds from issuance of note payable | — | 4,000,000 |
| Payment of debt issuance costs | (174,839) | (24,200) |
| Payments of leasehold improvement loan | (8,094) | (7,400) |
| Net cash provided by financing activities | 12,039,289 | 17,041,141 |
| | | |
| Net increase in cash and cash equivalents | 15,659,142 | 2,108,214 |
| Cash and cash equivalents - beginning of period | 9,914,867 | 10,440,959 |
| Cash and cash equivalents - end of period | $25,574,009 | $12,549,173 |

See notes to (unaudited) condensed consolidated financial statements.

**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**

**NOTES TO (UNAUDITED) CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## 1. ORGANIZATION AND BUSINESS

ADMA Biologics, Inc. ("ADMA" or the "Company") is a vertically integrated biopharmaceutical and specialty immunoglobulin company that develops, manufactures and markets specialty plasma-based biologics for the treatment of immune deficiencies and prevention of certain infectious diseases. The Company's targeted patient populations include immune-compromised individuals who suffer from an underlying immune deficiency disease or who may be immune-suppressed for medical reasons. The Company's products and product candidates are intended to be used by physician specialists focused on caring for immune-compromised patients with or at risk for certain infectious diseases. ADMA operates through its wholly-owned subsidiaries ADMA Plasma Biologics, Inc., ADMA BioManufacturing, LLC ("ADMA BioManufacturing") and ADMA Bio Centers Georgia, Inc. ("ADMA BioCenters"). ADMA BioManufacturing was formed in January 2017 to facilitate the acquisition of the Biotest Therapy Business Unit ("BTBU") of Biotest Pharmaceuticals Corporation ("BPC" and, together with Biotest AG, "Biotest") as more fully described below. ADMA BioCenters is the Company's source plasma collection business, with facilities located in Norcross, GA and Marietta, GA. Each ADMA BioCenters facility has approved licenses with the U.S. Food and Drug Administration (the "FDA") and certifications from the German Health Authority (the "GHA") and the Korean Ministry of Food and Drug Safety. ADMA BioCenters supplies ADMA with a portion of its raw material plasma for the manufacture of RI-002, ADMA's lead product candidate, which the Company is currently developing for the treatment of Primary Immune Deficiency Disease ("PIDD").

As discussed in Note 3, on June 6, 2017, ADMA completed the acquisition of certain assets (the "Biotest Assets") of BTBU, which includes two FDA-licensed products, Nabi-HB® (Hepatitis B Immune Globulin, Human) and Bivigam® (Immune Globulin Intravenous, Human). These products are manufactured at the Company's plasma fractionation facility located in Boca Raton, Florida (the "Boca Facility") acquired in the transaction. The facility is FDA-licensed and certified by the GHA. Immediately following the acquisition, the Biotest Assets were contributed into ADMA BioManufacturing.

In addition to Nabi-HB® and Bivigam®, BTBU also provides contract manufacturing for certain clients, including the sale of intermediate by-products.

Nabi-HB® is a hyperimmune globulin that is rich in antibodies to the hepatitis B virus. Nabi-HB® is indicated for the treatment of acute exposure to blood containing hepatitis B surface antigen ("HBsAg"), prenatal exposure to infants born to HBsAg-positive mothers, sexual exposure to HBs-Ag-positive persons and household exposure to persons with acute hepatitis B virus infection. Bivigam® is an Immune Globulin Intravenous (Human), 10% Liquid, indicated for the treatment of primary humoral immunodeficiency.

FDA approval for Bivigam® was received on December 19, 2012, and sales commenced in the first quarter of 2013. In November 2014, the FDA issued a warning letter to Biotest related to certain issues identified at the Boca Facility. In December 2016, Biotest temporarily suspended the commercial production of Bivigam® in order to focus on the completion of planned improvements to the manufacturing process in response to the November 2014 warning letter issued by the FDA.

Prior to the closing of the acquisition, BTBU was the Company's third-party manufacturer for RI-002. ADMA submitted a Biologics License Application for RI-002 (the "BLA") to the FDA which was accepted for review during the third quarter of 2015. In July 2016, the FDA issued a Complete Response Letter (the "CRL") to the Company for the BLA. The CRL reaffirmed the issues set forth in the November 2014 warning letter, and also identified certain outstanding inspection issues and deficiencies at ADMA's third-party contract manufacturers and vendors and requested documentation of corrections for a number of those issues. The FDA indicated in the CRL that it cannot grant final approval of the BLA until, among other things, these deficiencies are resolved. The CRL did not cite any concerns with the clinical safety and efficacy data for RI-002, nor did the FDA request any additional clinical studies be completed prior to FDA approval of RI-002.

ADMA's highest priority is to remediate the outstanding compliance issues identified at the Boca Facility in the previously issued FDA warning letter. Since receiving the CRL, the Company has worked diligently with its contract fill and finisher and contract testing laboratory, and the Company continues to address the CRL and remediate the outstanding warning letter at the Boca Facility. With the completion of the acquisition of the Biotest Assets, ADMA now has control over the drug substance manufacturing process and the Company anticipates that it will be in a position to refile the BLA for RI-002 in mid-2018.

Concurrent with the closing of the acquisition of the Biotest Assets, the Company received a $15.0 million loan from Biotest evidenced by a 6% subordinated note payable to BPC with a maturity of 5 years (see Note 4), and BPC committed to participate in any future equity offering or private placement undertaken by the Company in an amount equal to up to $12.5 million.

As of June 30, 2017, the Company had working capital of $28.6 million, including $25.6 million of cash and cash equivalents. Based upon the Company's current projected revenue and expenditures for 2017, including expected consulting fees for warning letter remediation, regulatory and consulting fees associated with RI-002 approval, continuing implementation of the Company's commercialization and expansion activities, as well as certain other assumptions, management currently believes that its cash, cash equivalents, projected revenue and accounts receivable, along with the additional equity commitment from Biotest, are sufficient to fund ADMA's operations, as currently conducted, into the first quarter of 2018. These estimates may change based upon results from the Company's remediation efforts, the timing of any required commercial manufacturing scale up activities, the various financing options ADMA is exploring, including the potential refinancing of its current senior debt which, if achieved on favorable terms, would be expected to allow ADMA to extend its current cash runway from the first quarter of 2018 well into the second half of 2018 and perhaps further, depending on the timing and structuring of the loan facility, or if any other assumptions of the Company change. The Company does not currently have any other firm commitments to obtain additional financing. Furthermore, if the Company's assumptions underlying its estimated expenses and revenues are incorrect, it may have to raise additional capital sooner than currently anticipated.

Due to numerous risks and uncertainties associated with ongoing remediations, the research and development and potential future commercialization of its products and product candidates, the Company is unable to estimate with certainty the amounts of increased capital outlays and operating expenditures associated with its development activities. The Company's current estimates may be subject to change as circumstances regarding its business requirements evolve. The Company may decide to raise capital through public or private equity offerings or debt financings, or obtain a bank credit facility or corporate collaboration and licensing arrangements. The Company does not have any existing commitments for future external funding other than the additional equity commitment from Biotest. The sale of additional equity or debt securities, if convertible, could result in dilution to the Company's stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also result in covenants that would restrict the Company's operations or other financing alternatives. Additional equity or debt financing, grants, or corporate collaboration and potential licensing arrangements may not be available on acceptable terms, if at all. If adequate funds are not available, the Company may be required to delay, reduce the scope of or eliminate the Company's research and development programs, reduce the Company's planned clinical trials and delay or abandon potential commercialization efforts of the Company's lead or other product candidates. The Company has reported losses since inception in June 2004 through June 30, 2017 of $122.5 million. Management believes that the Company will continue to incur net losses and negative net cash flows from operating activities to fund its research and development, commercial programs and meet its obligations on a timely basis through the foreseeable future. As such, these factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts and the classification of liabilities that might be necessary from the outcome of this uncertainty.

ADMA's long-term liquidity will be dependent upon its ability to raise additional capital, to fund its research and development and commercial programs and meet its obligations on a timely basis. If ADMA is unable to successfully raise sufficient additional capital, it will likely not have sufficient cash flow and liquidity to fund its business operations, forcing ADMA to curtail activities and potentially significantly reduce, or potentially cease, operations. Even if ADMA is able to raise additional capital, such financings may only be available on unattractive terms, resulting in significant dilution of stockholders' interests and, in such event, the value and potential future market price

of its common stock may decline.

There can be no assurance that the Company's research and development will be successfully completed or that any product will be approved or commercially viable. The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, dependence on collaborative arrangements, development by the Company or its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, and compliance with FDA and other governmental regulations and approval requirements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Any reference in these notes to applicable guidance is meant to refer to U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board (the "FASB").

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and related notes thereto as of and for the year ended December 31, 2016 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on February 24, 2017. These condensed consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X, and therefore omit or condense certain footnotes and other information normally included in consolidated interim financial statements prepared in accordance with U.S. GAAP. All material intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company's financial position as of June 30, 2017 and its results of operations for the three and six months ended June 30, 2017 and 2016 and cash flows for the six months ended June 30, 2017 and 2016. Operating results for the six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2017.

*Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the fair value of assets acquired and liabilities assumed in a business combination, valuation of inventory, assumptions used in the fair value determination of stock-based compensation, warrants, and the allowance for the valuation of future tax benefits.

*Business Combinations*

The Company accounts for business combinations using the acquisition method of accounting in accordance with FASB ASC 805, *Business Combinations*. Identifiable assets acquired, liabilities assumed, and contingent consideration are recorded at their acquisition date fair values. Any change in the fair value of the acquisition-related contingent consideration subsequent to the acquisition date, including changes from events after the acquisition date, will be recognized in the period of the estimated fair value change. Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed as a result of the business combination. Identifiable assets with finite lives are amortized over their useful lives. Acquisition related costs are expensed as incurred.

*Fair value of financial instruments*

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, short-term investments and accounts payable, are shown at cost which approximates fair value due to the short-term nature of these instruments. The debt outstanding under the loan and security agreement with Oxford Finance, LLC (see Note 4) approximates fair value due to variable interest rate. With respect to the related party note payable in the amount of $15.0 million as of June 30, 2017 (see Notes 3 and 4), which is held by a principal stockholder of the Company and was issued concurrent with an acquisition transaction with such stockholder, the Company has concluded that an estimation of fair value for this note is not practicable.

*Goodwill*

Goodwill represents the excess of purchase price over the fair value of net assets acquired by the Company. Goodwill at June 30, 2017 and December 31, 2016 was $3.5 million and $0, respectively. All of the Company's goodwill is attributable to its ADMA BioManufacturing business segment. The following table presents the changes in the carrying amount of goodwill during the six months ended June 30, 2017:

| | |
|---|---|
| Balance as of January 1, 2017 | $— |
| Goodwill recorded in connection with the acquisition of the Biotest Assets | 3,529,509 |
| Balance as of June 30, 2017 | $3,529,509 |

Goodwill is not amortized, but assessed for impairment on an annual basis or more frequently if impairment indicators exist. The Company has the option to perform a qualitative assessment of goodwill to determine whether it is more likely than not that the fair value of its reporting units is less than its carrying amount, including goodwill and other intangible assets. If the Company concludes that this is the case, then it must perform a two-step goodwill impairment process.

The first step compares a reporting unit's fair value to its carrying amount to identify potential goodwill impairment. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the second step of the impairment test must be completed to measure the amount of the reporting unit's goodwill impairment loss, if any. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value, which is the fair value of the reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets. If the implied fair value of goodwill is less than its carrying amount, a goodwill impairment loss is recognized. The Company performs its annual goodwill impairment test as of October 1 of each year.

*Impairment of long-lived assets*

The Company assesses the recoverability of its long-lived assets, which include property and equipment and definite-lived intangible assets, whenever significant events or changes in circumstances indicate impairment may have occurred. If indicators of impairment exist, projected future undiscounted cash flows associated with the asset are compared to its carrying amount to determine whether the asset's value is recoverable. Any resulting impairment is recorded as a reduction in the carrying value of the related asset in excess of fair value and a charge to operating results. For the six months ended June 30, 2017 and 2016, the Company determined that there was no impairment of its long-lived assets.

*Revenue recognition*

Revenues for the six months ended June 30, 2017 are comprised of revenues from Nabi-HB®, product revenues from the sale of normal source human plasma collected from the Company's plasma collection centers segment and license and other revenues are primarily attributable to the out-licensing of RI-002 to Biotest to market and sell in Europe and selected countries in North Africa and the Middle East. Biotest has provided the Company with certain services and financial payments in accordance with the related Biotest license agreement and is obligated to pay the Company certain amounts in the future if certain milestones are achieved. Deferred revenue is recognized over the term of the Biotest license. Deferred revenue is amortized into income for a period of approximately 20 years, the term of the Biotest license agreement.

Depending on the agreement with the customer, product revenues from the sale of human plasma collected at the Company's plasma collection centers are recognized at the time of transfer of title and risk of loss to the customer, which occurs at the time of shipment. Product revenues are recognized at the time of delivery if the Company retains the risk of loss during shipment. Revenue from license fees and research and development services rendered are recognized as revenue when the performance obligations under the terms of the license agreement have been completed.

Revenue from sales of Nabi-HB® and Bivigam® is recognized when the product reaches the customer's destination. For sales of intermediates, title typically transfers when the product is delivered to a third party warehouse. With all other contract manufacturing, the title transfers to the customer when they take possession of the product from the Boca Facility. As the Company maintains a significant risk of loss throughout the contract manufacturing process, contract manufacturing revenue is not recognized until the product is released and title transfers to the customer. Nabi-HB® revenue is net of estimated customer prompt pay discounts and contractual allowances in accordance with managed care agreements, including wholesaler chargebacks, rebates, customer returns and other wholesaler fees.

For the six months ended June 30, 2017, two of the Company's customers, SK Plasma Co., Ltd. ("SK") and BPC, represented 90% of the Company's total revenues, with BPC representing approximately 75% of the Company's total revenues and SK representing approximately 15% of the Company's total revenues. For the six months ended June 30, 2016, sales to BPC and SK represented 89% and 10%, respectively, of the Company's consolidated revenues.

*Cost of product revenue*

Cost of product revenue includes expenses related to process development as well as scientific and technical operations when these operations are attributable to marketed products. When the activities of these operations are attributable to new products in development, the expenses are classified as research and development expenses. Additionally, expenses associated with remediating the issues noted in the FDA warning letter are expensed as incurred and are reflected in cost of product revenue in the accompanying consolidated statements of operations for the three and six months ended June 30, 2017. As the Boca Facility has not yet resumed production, all operating expenses associated with the facility have been expensed as incurred since acquisition.

*Loss per common share*

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. For purposes of computing basic and diluted loss per share, the non-voting class of common stock is included in the common stock outstanding as the characteristics of the non-voting class are substantially the same.

Diluted net loss per share is calculated by dividing net loss attributable to common stockholders as adjusted for the effect of dilutive securities, if any, by the weighted average number of shares of common stock, including the non-voting class of common stock, and dilutive common stock outstanding during the period. Potentially dilutive common stock includes the shares of common stock issuable upon the exercise of outstanding stock options and warrants (using the treasury stock method). Potentially dilutive common stock in the diluted net loss per share computation is excluded to the extent that it would be anti-dilutive. No potentially dilutive securities are included in the computation of any diluted per share amounts as the Company reported a net loss for all periods presented. The aggregate number of potentially dilutive securities upon the exercise of outstanding warrants and stock options was 3.5 million and 1.8 million as of June 30, 2017 and 2016, respectively.

*Stock-based compensation*

The Company follows recognized accounting guidance which requires all equity-based payments, including grants of stock options, to be recognized in the statements of operations as compensation expense, based on their fair values at the date of grant. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. Compensation expense related to awards to employees and directors with service-based vesting conditions is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term.

During the three and six months ended June 30, 2017, the Company granted stock options to purchase 1,674,595 and 1,856,595 shares of common stock, respectively, to its directors and employees. During the three and six months ended June 30, 2016, the Company granted stock options to purchase 15,000 and 100,984 shares of common stock, respectively, to its directors and employees.

*Recent Accounting Pronouncements*

In May 2017, the FASB issued ASU No. 2017-09, *Modification Accounting for Share-Based Payment Arrangements*, which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company does not expect this new guidance to have a material impact on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations – Clarifying the Definition of a Business*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company adopted this standard in the second quarter of 2017 and the adoption of this standard did not have a material impact on its condensed consolidated financial statements for the six months ended June 30, 2017.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350),* which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, under the ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU is effective prospectively for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect this new guidance to have a material impact on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting (Topic 718),* which provides for simplification of certain aspects of employee share-based payment accounting including income taxes, classification of awards as either equity or liabilities, accounting for forfeitures and classification on the statement of cash flows. The Company adopted this standard in the first quarter of 2017 and the adoption of this standard did not have a material impact on its condensed consolidated financial statements as of and for the six months ended June 30, 2017.

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

In November 2015, the FASB issued ASU No. 2015-17*, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes*, which includes amendments that require deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted as of the beginning of an interim or annual reporting period. The amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company adopted this standard in the second quarter of 2017. As the Company carried a full valuation allowance against its deferred tax assets as of June 30, 2017 and December 31, 2016, adoption of this standard did not have a material impact on its condensed consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments*, which includes amendments that require an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this ASU require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the changes to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of the ASU with earlier application permitted for financial statements that have not yet been made available for issuance. The Company adopted this standard in the first quarter of 2017 and the adoption of this standard did not have a material impact on its condensed consolidated financial statements as of and for the six months ended June 30, 2017.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The standard requires entities to measure most inventory "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures, one of which is net realizable value). The Company adopted this standard in the first quarter of 2017 and the adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements as and for the six months ended June 30, 2017.

In May 2014, the FASB issued new guidance related to revenue recognition, ASU 2014-09, *Revenue from Contracts with Customers ("ASC 606")*, which outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. The new guidance requires a company to recognize revenue upon transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. ASC 606 defines a five-step approach for recognizing revenue, which may require a company to use more judgment and make more estimates than under the current guidance. The new guidance becomes effective in calendar year 2018 and early adoption in calendar year 2017 is permitted. Two methods of adoption are permitted: (a) full retrospective adoption, meaning the standard is applied to all periods presented; or (b) modified retrospective adoption, meaning the cumulative effect of applying the new guidance is recognized at the date of initial application as an adjustment to the opening retained earnings balance.

In March 2016, April 2016 and December 2016, the FASB issued ASU No. 2016-08, *Revenue From Contracts with Customers (ASC 606): Principal Versus Agent Considerations*, ASU No. 2016-10, *Revenue From Contracts with Customers (ASC 606): Identifying Performance Obligations and Licensing*, and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers*, respectively, which further clarify the implementation guidance on principal versus agent considerations contained in ASU No. 2014-09. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers*, narrow-scope improvements and practical expedients which provides clarification on assessing the collectability criterion, presentation of sales taxes,

measurement date for non-cash consideration and completed contracts at transition. These standards will be effective for the Company beginning in the first quarter of 2018. Early adoption is permitted.

As of June 30, 2017, the Company has not yet completed its final review of the impact of this new revenue recognition guidance, including the new disclosure requirements, as it is continuing to evaluate the impacts of adoption and the implementation approach to be used. The Company plans to adopt the new standard effective January 1, 2018. The Company continues to monitor additional changes, modifications, clarifications or interpretations being undertaken by the FASB, which may impact its current conclusions.

## 3. ACQUISITION

On June 6, 2017, ADMA completed the acquisition of the Biotest Assets from BPC. As a result of this transaction, the Company acquired Nabi-HB® and Bivigam®, the Boca Facility and certain other assets of BTBU. The acquisition of the Biotest Assets expands the Company's product offering with two FDA-approved products and provides direct control over the manufacturing and regulatory processes impacting the Company's RI-002 product candidate, including remediation of the outstanding FDA warning letter previously issued to Biotest as well as certain other remediation items affecting the Boca Facility. Pursuant to the acquisition, the Company issued to Biotest 4,295,580 voting shares of its common stock and 8,591,160 non-voting shares of common stock. The Company will also transfer ownership of two of its plasma centers to Biotest on January 1, 2019 as additional consideration.

The purchase price was calculated as follows:

| | |
|---|---|
| Issuance of 12,886,740 shares of common stock (voting and non-voting) valued at $3.66 per share | $47,165,468 |
| Transfer of two plasma collection centers | 12,621,844 |
| Total purchase price | $59,787,312 |

The following table summarizes the preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed based on their estimated fair values:

| | |
|---|---|
| Cash | $12,500,000 |
| Inventory | 8,197,354 |
| Land and buildings | 20,000,000 |
| Property and equipment | 8,209,800 |
| Assets held for sale | 845,389 |
| Other current assets | 795,553 |
| Trademark and other intangible rights to Nabi-HB | 4,100,046 |
| Right to intermediates | 907,421 |
| Customer contract | 1,076,557 |
| Goodwill | 3,529,509 |
| Liabilities assumed | (374,317 ) |
| Total purchase price | $59,787,312 |

The Company engaged various third party valuation specialists to determine the fair value of the land and buildings, property and equipment, right to intermediates, customer contract and Nabi-HB® intangible assets, as well as the assets held for sale. Some of the valuations and underlying analyses that were performed are preliminary and are subject to change upon finalization of more detailed analyses of the facts and circumstances that existed at the date of the transaction. Any such changes would change the allocation of the purchase price. Therefore, the foregoing purchase price allocation is preliminary and subject to change within the measurement period.

Assets held for sale reflects certain manufacturing equipment acquired in the transaction that will not be utilized in the manufacture or development of any of the Company’s current products or product candidates. The Company expects that the sale of these assets will be completed within one year from the date of the acquisition transaction. Goodwill is expected to be deductible for tax purposes.

As a result of the foregoing transaction, BPC became a principal stockholder and Biotest became a related party of the Company. Therefore, all transactions with Biotest subsequent to June 6, 2017, including product and license revenues attributable to Biotest (see Note 2), are related party transactions. The results from BTBU’s operations are included in

the Company's consolidated financial statements from the date of acquisition. The Company incurred a total of approximately $5.7 million in transaction closing costs, which were expensed as incurred. For the three and six months ended June 30, 2017, transaction closing costs amounted to approximately $1.2 million and $3.8 million, respectively.

The following unaudited pro forma summary presents consolidated information of the Company as if the business combination had occurred on January 1, 2016. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition been consummated as of that time or that may result in the future.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | |
| As reported | $3,399,401 | $2,271,744 | $6,028,272 | $4,395,630 |
| Proforma | $10,569,393 | $22,704,653 | $24,292,042 | $44,336,311 |
| Net loss | | | | |
| As reported | $(9,036,495) | $(6,012,335) | $(15,573,458) | $(10,624,804) |
| Proforma | $(12,751,262) | $(14,473,470) | $(24,826,749) | $(29,073,476) |
| Basic and diluted net loss per share: | | | | |
| As reported | $(0.55) | $(0.50) | $(1.06) | $(0.93) |
| Proforma | $(0.49) | $(0.58) | $(0.96) | $(1.20) |

**4. DEBT**

A summary of outstanding senior notes payable is as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Oxford - Gross proceeds | $20,000,000 | $20,000,000 |
| Paydown of principal balance | (2,777,778 ) | — |
| | 17,222,222 | 20,000,000 |
| Less: | | |
| Debt discount | (1,194,847 ) | (1,567,249 ) |
| Current portion | (6,666,667 ) | (6,111,111 ) |
| Senior notes payable | $9,360,708 | $12,321,640 |

*Senior Notes Payable*

On June 19, 2015, the Company entered into a Loan and Security Agreement (the "LSA") with Oxford Finance, LLC ("Oxford"), for up to $21.0 million of debt financing in two term loan tranches. The first term loan tranche of $16.0 million from the LSA (the "Term A Loan") was primarily used to repay the Company's previous debt facility with Hercules Technology Growth Capital, Inc. dated December 2012. On May 13, 2016, the Company amended the LSA with Oxford (the "Amended LSA") which provided ADMA with an additional $4.0 million term loan (the "Term B Loan"), which brings the total principal amount borrowed to $20.0 million. The outstanding term loans bear interest at a rate per annum equal to the greater of (i) 7.80% and (ii) the sum of (a) the three-month U.S. LIBOR rate (as reported in *The Wall Street Journal*) on the date occurring on the last business day of the month that immediately precedes the month in which the interest will accrue, plus (b) 7.54% on the outstanding principal balance. The effective interest rates for the Term A Loan and the Term B Loan, including backend fees equal to 8.95% of the total funded amount, are 11.4% and 13.04%, respectively. The Company began repaying the principal balance on February 1, 2017 in equal installments for a period of 36 months, unless accelerated as a result of certain events of default. The backend fees are due at the earlier of loan maturity or prepayment. All term loans mature no later than January 1, 2020. The loans are secured by the Company's assets, except for its intellectual property (which is subject to a negative pledge). The LSA contains customary representations, warranties and covenants, including limitations on incurring indebtedness, engaging in mergers or acquisitions and making investments, distributions or transfers. The Company was in compliance with all such covenants as of June 30, 2017.

In the event the Company prepays a term loan for any reason, the Company is obligated to pay a prepayment charge corresponding to a percentage of the principal amount of the applicable term loan prepaid. The Amended LSA further

modified the fees payable by the Company on mandatory or voluntary prepayment of a term loan prior to its maturity date as follows: (i) for a prepayment made on or after the funding date of the applicable term loan through and including the first anniversary of its funding date, an amount equal to 3.00% of the principal amount of the term loan prepaid; (ii) for a prepayment made after the first anniversary of the funding date of the applicable term loan through and including the second anniversary of such funding date, an amount equal to 2.00% of the principal amount of such term loan prepaid; and (iii) for a prepayment of a term loan made after the second anniversary of its funding date and prior to its maturity date, an amount equal to 1.00% of the principal amount of the term loan prepaid.

Pursuant to the Amended LSA, (i) the Company paid a total facility fee of $125,000; (ii) certain adjustments were made to the time periods for any applicable prepayment fees; and (iii) certain defined terms were adjusted, including a new February 1, 2017 amortization date. The Amended LSA further provides for customary representations, warranties and covenants for the Company. Except as otherwise amended, the Amended LSA does not alter the terms of the LSA.

*Related Party Note Payable*

A summary of the outstanding related party note payable is as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Biotest - Gross proceeds | $15,000,000 | $ — |
| Less: | | |
| Debt discount | (172,852) | — |
| Note payable - related party | $14,827,148 | $ — |

In connection with the acquisition of the Biotest Assets (see Note 3), ADMA BioManufacturing issued a subordinated note payable to BPC and in connection therewith received cash proceeds of $15.0 million. The note bears interest at a rate of 6.0% per annum and matures on June 6, 2022. The Company is obligated to make semi-annual interest payments, with all principal and unpaid interest due at maturity. The note is subordinate to the senior note payable with Oxford. In the event of default, all principal and unpaid interest is due on demand. The subordinated note also contains several non-financial covenants with which the Company was in compliance as of June 30, 2017. The Company incurred $0.2 million of debt issuance costs in connection with the issuance of this note, which were recorded as a debt discount. The debt discount is being amortized as interest expense over the term of the note.

**5. STOCKHOLDERS' EQUITY (DEFICIT)**

In connection with the acquisition of the Biotest Assets (see Note 3) the Company issued 4,295,580 shares of its voting common stock and 8,591,160 shares of its non-voting common stock, respectively. The rights and preferences of the non-voting common are substantially the same as the common stock. BPC is prohibited from selling such shares for six months following the acquisition of BTBU and is thereafter limited to selling shares of the Company in excess of 15% of the outstanding shares of the Company in a 12-month period. The volume sale restriction expires on the three year anniversary from the BTBU acquisition ("Standstill Period"). The non-voting common stock will automatically convert into common stock upon (i) expiration of the Standstill Period, (ii) a liquidation event, (iii) Company insolvency, (iv) a permitted sale and (v) certain dilutive issuances as defined in the Company's amended and restated certificate of incorporation.

On May 3, 2016, the Company completed an underwritten public offering of 2,176,154 shares of its common stock, for gross proceeds of approximately $14.1 million. Net proceeds from this offering were approximately $13.1 million, after payment of underwriting discounts and offering expenses of approximately $1.0 million. The shares were sold under a shelf registration statement on Form S-3 (File No. 333-200638) that was declared effective by the SEC on December 23, 2014.

*Equity incentive plan*

The fair value of stock options granted under the Company's 2007 Employee Stock Option Plan (the "2007 Plan") and the ADMA Biologics, Inc. 2014 Omnibus Incentive Compensation Plan, as amended and restated (the "2014 Plan"), was determined on the date of grant using the Black-Scholes option valuation model. The Black-Scholes model was developed for use in estimating the fair value of publicly traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The stock options granted to employees and directors have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. Because there has been limited data related to the Company's common stock and very little historical experience with the Company's stock options, similar public companies and a pro rata percentage of

the Company's common stock were used for calculating ADMA's volatility for comparison and expectations as to the assumptions required for fair value computation using the Black-Scholes methodology. The following assumptions were used to determine the fair value of options granted during the six months ended June 30, 2017 and 2016:

| | **Six Months Ended June 30, 2017** | **Six Months Ended June 30, 2016** |
|---|---|---|
| Expected term | 5.8 - 6.3 years | 5.8 - 6.3 years |
| Volatility | 51-64% | 51-52% |
| Dividend yield | 0.0 | 0.0 |
| Risk-free interest rate | 1.77-2.29% | 1.54-1.79% |

The weighted average remaining contractual life of stock options outstanding and expected to vest at June 30, 2017 is 8.0 years. The weighted average remaining contractual life of stock options exercisable at June 30, 2017 is 5.3 years.

A summary of the Company's option activity under the 2007 Plan and 2014 Plan and related information is as follows:

| | Six Months Ended June 30, 2017 | |
|---|---|---|
| | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of period | 1,535,187 | $ 7.90 |
| Forfeited | (62,836) | $ 9.12 |
| Expired | (7,686) | $ 8.92 |
| Granted | 1,856,595 | $ 3.79 |
| Outstanding at end of period and expected to vest | 3,321,260 | $ 5.58 |
| Options exercisable | 1,277,674 | $ 7.66 |

Stock-based compensation expense for the three and six months ended June 30, 2017 and 2016 is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2017 | 2016 | June 30, 2017 | 2016 |
| Research and development | $68,434 | $132,277 | $121,417 | $288,833 |
| Plasma centers | 13,196 | 11,745 | 25,947 | 24,755 |
| General and administrative | 223,973 | 166,923 | 394,116 | 419,537 |
| Cost of goods sold | 5,760 | — | 5,760 | — |
| Total stock-based compensation expense | $311,363 | $310,945 | $547,240 | $733,125 |

As of June 30, 2017, the total compensation expense related to unvested options not yet recognized totaled $4,934,857. The weighted average vesting period over which the total compensation expense will be recorded related to unvested options not yet recognized at June 30, 2017 was approximately 3.1 years.

## 6. INVENTORIES

The following table provides the components of inventories:

| | June, 30 2017 | December 31 2016 |
|---|---|---|
| Raw materials | $9,376,705 | $5,020,146 |
| Finished goods | 3,774,028 | — |
| Total inventories | $13,150,733 | $5,020,146 |

Inventories are stated at the lower of cost or market with cost being determined on the first-in, first-out method. Finished goods inventories as of June 30, 2017 is comprised of Nabi-HB®, recorded at fair value as part of the purchase price allocation of the Biotest Assets acquired. All activities associated with the production of inventories used in research and development activities are expensed as incurred.

## 7. INTANGIBLE ASSETS

Intangible assets at June 30, 2017 and December 31, 2016 consist of the following:

| | June 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net | Cost | Accumulated Amortization | Net |
| Trademark and other intangible rights related to Nabi-HB® | $4,100,046 | $ 39,048 | $4,060,998 | $— | $ — | $— |
| Right to intermediates | 907,421 | 8,642 | 898,779 | — | — | — |
| Customer contract | 1,076,557 | 25,331 | 1,051,226 | — | — | — |
| Total | $6,084,024 | $ 73,021 | $6,011,003 | $— | $ — | $— |

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Under the previous contract manufacturing agreement between ADMA and BPC, intermediate by-products derived from the manufacture of RI-002 were property of Biotest. As a result of the transaction, ADMA now has the right to these intermediate products. The customer contract pertains to a contract manufacturing agreement with a third party that the Company assumed upon the completion of the acquisition of the Biotest Assets. Amortization expense related to these acquisition-related intangible assets for the three months and six months ended June 30, 2017 was $0.1 million. Estimated aggregate future aggregate amortization expense for the next five years is expected to be as follows:

| | |
|---|---|
| Remainder of 2017 | $547,657 |
| 2018 | 1,095,314 |
| 2019 | 1,095,314 |
| 2020 | 816,675 |
| 2021 | 715,352 |

**8. PROPERTY, PLANT AND EQUIPMENT**

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

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Manufacturing and laboratory equipment | $8,176,699 | $ 306,411 |
| Office equipment and computer software | 256,856 | 188,277 |
| Furniture and fixtures | 473,638 | 1,030,257 |
| Leasehold improvements | 78,858 | 2,699,104 |
| Land | 11,700,000 | — |
| Buildings | 8,300,000 | — |
| | 28,986,051 | 4,224,049 |
| Less: Accumulated depreciation and amortization | (359,383) | (2,223,265) |
| | $28,626,668 | $ 2,000,784 |

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

**9. RELATED PARTY TRANSACTIONS**

The Company leases an office building and equipment from Areth, LLC (“Areth”) pursuant to a shared services agreement on a month-to-month basis of which terms were amended by the Company’s Board of Directors in June 2016. Rent expense amounted to $48,000 and $71,888 for the three months ended June 30, 2017 and 2016 respectively, and $96,000 for the six months ended June 30, 2017 and 2016. Areth is a company controlled by Dr. Jerrold B. Grossman, the Company’s Vice Chairman, and Adam S. Grossman, the Company’s President and Chief Executive Officer, and the Company pays Areth monthly fees for the use of such office space and for other information technology, general warehousing and administrative services. The Company also reimburses Areth for office and building related (common area) expenses, equipment and certain other operational expenses, which have not been material to the condensed consolidated financial statements for the six months ended June 30, 2017 and 2016. The Company maintains deposits and other accounts at Pascack Bankcorp, a bank of which Dr. Grossman served as a director through January 2016, and which was approximately 5%-owned by members of the Grossman family. Pascack Bankcorp was acquired by Lakeland Bancorp, Inc. in January 2016 and Dr. Grossman is currently a member of the Corporate Advisory Council of Lakeland Bancorp Inc.

As of June 30, 2017, the Company has a $15.0 million subordinated note payable to BPC (see Note 4), and recognized approximately $60,000 of interest expense on this note for the three and six months ended June 30, 2017.

For the three and six months ended June 30, 2017 and 2016, the Company recognized revenues under its out-licensing agreement with Biotest of $35,708 and $71,417, respectively. Deferred revenue of $2,761,450 and $2,832,867 as of June 30, 2017 and December 31, 2016 is related to this agreement.

Biotest is the Company’s largest customer for the sale of normal source plasma. Plasma sales to Biotest for the three and six months ended June 30, 2017 were approximately $2.4 million and $4.5 million, respectively. Plasma sales to Biotest for the three and six months ended June 30, 2016 were approximately $1.8 million and $3.8 million, respectively. Accounts receivable includes approximately $1.2 million and $1.0 million due from Biotest as of June 30, 2017 and December 31, 2016, respectively. Additionally, Biotest is a supplier of RSV plasma to ADMA, with the Company purchasing approximately $0.3 million and $0.9 million of RSV plasma in the six months ended June 30, 2017 and 2016, respectively. Included in accounts payable is approximately $48,000 and $82,000 due to Biotest as of June 30, 2017 and December 31, 2016, respectively. The following table summarizes the related party balances with Biotest:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Sale and purchase of plasma | | | | |
| Product revenue | $2,362,059 | $1,781,428 | $4,454,274 | $3,840,190 |
| Purchases | 141,754 | 382,685 | 324,140 | 888,255 |
| License revenue | 35,708 | 35,708 | 71,417 | 71,417 |
| Interest expense | 60,000 | — | 60,000 | — |

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Accounts receivable | $1,209,733 | $969,675 |
| Accounts payable | 48,466 | 82,427 |
| Accrued expenses | 797,070 | — |
| Note payable | 15,000,000 | — |
| Accrued interest | 60,000 | — |
| Deferred revenue | 2,761,450 | 2,832,867 |

In connection with the acquisition of the Biotest Assets, the Company entered into a Transition Services Agreement with BPC pursuant to which each of the Company and BPC agreed to provide transition services to the other party, including services related to finance, human resources, information technologies, leasing of equipment and clinical and regulatory services for a period of up to 24 months after the June 6, 2017 closing date, as well as agreements to lease certain laboratory space within the Boca Facility to BPC for a period of up to 24 months after the closing date of the acquisition transaction. As of June 30, 2017, $797,010 was payable by the Company to BPC for services rendered and expenses incurred on behalf of the Company related to these agreements. This amount is reflected in accrued expenses in the accompanying consolidated balance sheet.

Under the terms of the acquisition of the Biotest Assets, the Company will transfer two plasma collection centers to BPC on January 1, 2019. The purchase price payable of $12.6 million as of June 6, 2017 represents the fair value of this obligation.

## 10. COMMITMENTS AND CONTINGENCIES

*General Legal Matters*

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

*Operating leases*

In connection with the acquisition of the Biotest Assets, the Company assumed two warehouse leases in Boca Raton, FL for additional storage space for raw materials, spare parts and other supplies related to its business. These leases expire on December 31, 2017 and July 31, 2018, respectively. The aggregate minimum lease payments for these two leases are approximately $9,000 per month. Additionally, in September 2016, BPC entered into a lease for 36 months for certain specialized equipment related to process development. This equipment is utilized by the Company and the Company reimburses BPC in the approximate amount of $3,500 per month.

On February 17, 2017, ADMA BioCenters entered into a lease (the "Lease") with Home Center Properties, LLC, a Georgia limited liability company ("Landlord"), for approximately 12,167 square feet located at 166 Earnest W. Barrett Parkway, Marietta, GA (the "Premises"). ADMA BioCenters will utilize the Premises as a facility specializing in the collection of human plasma and blood, general office administration and any other related use. The Lease has an initial term of approximately eight years and nine months (the "Initial Term"), commencing upon substantial completion of "Landlord's Work" (as defined in the Lease) (the "Lease Commencement Date"), with rent payments commencing 150 days after the Lease Commencement Date. The Lease Commencement Date is July 1, 2017. ADMA BioCenters' total monthly cost of the Premises (inclusive of Landlord's "Operating Costs", "Taxes" and "Insurance Charges" (as such terms are defined in the Lease)) will range from approximately $20,000 to $27,000 during the Initial Term. Provided that the Lease is in full force and effect and that there has been no event of default (as defined in the Lease) beyond the expiration of any applicable notice and cure period, ADMA BioCenters has the option to extend the term of the Lease for two additional periods of five years each (each, an "Extension Term"), each Extension Term on the same terms, covenants and conditions as the Lease, with the rent for each Extension Term to equal the mutually agreed fair market value of the Premises on the commencement of such Extension Term. The Lease also contains customary default provisions, representations, warranties and covenants.

*Contract manufacturing agreement*

In connection with the acquisition of the Biotest Assets, the Company acquired all of the rights and assumed all of the obligations under an existing agreement with a third party related to the fractionation of plasma provided by the third party. The agreement terminates on December 31, 2020, with 2020 being a wind-down year. All other years have minimum production requirements as well as a payment due to the counterparty to the contract of $1.5 million per year if a minimum of 11 batches are not manufactured in that year.

*Contract filler agreement*

The Company has an agreement with a third party to fill and package its plasma for sale to customers. BTBU's agreement with this same contract filler to package Nabi-HB® and Bivigam® was not assigned to ADMA in the acquisition of the Biotest Assets. This contract filler is the only provider approved by the FDA to fill and package these products. The Company is currently working with the contract filler to amend its current agreement to include Nabi-HB® and Bivigam® in the existing ADMA contract. At this time, the Company is not able to determine the impact that the proposed amendment would have on the overall terms of the contract.

*Post-marketing commitments*

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

**11. SEGMENTS**

The Company is engaged in the development, manufacturing and commercialization of human plasma and plasma-derived therapeutics. The Company's ADMA BioManufacturing segment reflects the Company's immune globulin manufacturing and development operations in Florida, acquired on June 6, 2017 (see Note 3). The Plasma Collection Centers segment consists of two FDA-licensed source plasma collection facilities located in Georgia, with a third collection center scheduled to open in late 2017 (see Note 10). The Company defines its segments as those business units whose operating results are regularly reviewed by the chief operating decision maker ("CODM") to analyze performance and allocate resources. The Company's CODM is its President and Chief Executive Officer. Summarized financial information concerning reportable segments is shown in the following tables:

Three Months Ended June 30, 2017

| | ADMA BioManufacturing | Plasma Collection Centers | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | $ 539,223 | $ 2,824,470 | $35,708 | $3,399,401 |
| Cost of product revenue | 2,498,856 | 1,835,163 | — | 4,334,019 |
| Gross (loss) profit | (1,959,633) | 989,307 | 35,708 | (934,618) |
| Loss from operations | (3,118,300) | (610,864) | (4,672,704) | (8,401,868) |
| Other expense, net | (61,987) | — | (572,640) | (634,627) |
| Net loss | (3,180,287) | (610,864) | (5,245,344) | (9,036,495) |
| Total assets | 65,913,839 | 2,101,977 | 16,623,437 | 84,639,253 |
| Depreciation and amortization expense | 158,398 | 103,703 | 15,031 | 277,132 |

Three Months Ended June 30, 2016

| | ADMA BioManufacturing | Plasma Collection Centers | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | $ — | $ 2,236,036 | $35,708 | $2,271,744 |
| Cost of product revenue | — | 1,344,241 | — | 1,344,241 |
| Gross profit | — | 891,795 | 35,708 | 927,503 |
| Loss from operations | — | (402,507) | (5,088,343) | (5,490,850) |
| Other expense, net | — | — | (521,485) | (521,485) |
| Net loss | — | (402,507) | (5,609,828) | (6,012,335) |
| Total assets | — | 2,509,903 | 29,232,086 | 31,741,989 |
| Depreciation and amortization expense | — | 102,330 | 13,671 | 116,001 |

Six Months Ended June 30, 2017

| | ADMA BioManufacturing | Plasma Collection Centers | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | $ 539,223 | $ 5,417,632 | $71,417 | $6,028,272 |
| Cost of product revenue | 2,498,856 | 3,451,450 | — | 5,950,306 |
| Gross profit | (1,959,633) | 1,966,182 | 71,417 | 77,966 |
| Loss from operations | (3,118,300) | (1,113,464) | (10,107,107) | (14,338,871) |
| Other expense, net | (61,987) | — | (1,172,600) | (1,234,587) |
| Net loss | (3,180,287) | (1,113,464) | (11,279,707) | (15,573,458) |
| Capital expenditures | — | 81,294 | 15,263 | 96,557 |
| Depreciation and amortization expense | 158,398 | 207,343 | 29,453 | 395,194 |

Six Months Ended June 30, 2016

| | ADMA BioManufacturing | Plasma Collection Centers | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | $ — | $ 4,324,213 | $71,417 | $4,395,630 |
| Cost of product revenue | — | 2,610,662 | — | 2,610,662 |
| Gross profit | — | 1,713,551 | 71,417 | 1,784,968 |
| Loss from operations | — | (861,169) | (8,788,217) | (9,649,386) |
| Other expense, net | — | — | (975,418) | (975,418) |
| Net loss | — | (861,169) | (9,763,635) | (10,624,804) |
| Capital expeditures | — | 32,733 | 25,301 | 58,034 |
| Depreciation and amortization expense | — | 207,519 | 26,875 | 234,394 |

The “Corporate” column above includes general and administrative overhead expenses. Total assets included in the “Corporate” column above includes assets related to corporate and support functions.

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

**12.**

Supplemental cash flow information for the six months ended June 30, 2017 and 2016 is as follows:

**SUPPLEMENTAL CASH FLOW INFORMATION:**

| | | |
|---|---|---|
| Cash paid for interest | $833,515 | $681,470 |
| **Noncash Financing and Investing Activities:** | | |
| Assets acquired through the issuance of common stock and liabilities assumed | $60,161,629 | $— |
| Equipment acquired through related party payable | $344,610 | $— |
| Accrued equity issuance costs | $— | $172,200 |
| Accrued debt issuance costs | $— | $22,904 |
| End of term liability for Oxford Note Payable | $— | $358,000 |
| Warrants issued in connection with note payable | $— | $86,300 |

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders

ADMA Biologics, Inc.

We have audited the accompanying consolidated balance sheets of ADMA Biologics, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in stockholders' (deficiency) equity, and cash flows for the years then ended. The Company's management is responsible for these consolidated financial statements. 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 audit 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 financial position of ADMA Biologics, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As further discussed in Note 1 to the accompanying consolidated financial statements, management believes that the Company will continue to incur net losses and negative net cash flows from operating activities through the drug development, approval and commercialization preparation process. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/
CohnReznick
LLP

Roseland,
New Jersey

February 24,
2017

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**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**December 31, 2016 and 2015**

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $9,914,867 | $10,440,959 |
| Short-Term Investments | 5,390,184 | 6,368,177 |
| Accounts Receivable | 1,018,027 | 924,468 |
| Inventories | 5,020,146 | 3,445,773 |
| Prepaid Expenses | 313,914 | 111,027 |
| Total Current Assets | 21,657,138 | 21,290,404 |
| Property and Equipment at Cost, Net | 2,000,784 | 2,396,950 |
| Other Assets: | | |
| Deposits | 27,163 | 27,163 |
| Total Other Assets | 27,163 | 27,163 |
| TOTAL ASSETS | $23,685,085 | $23,714,517 |
| LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | $2,564,681 | $2,087,855 |
| Accrued Expenses | 2,385,356 | 1,968,384 |
| Current Portion of Note Payable | 6,111,111 | — |
| Current Portion of Deferred Revenue | 145,154 | 145,154 |
| Current Portion of Leasehold Improvement Loan | 16,559 | 15,139 |
| Total Current Liabilities | 11,222,861 | 4,216,532 |
| Notes Payable, Net of Debt Discount | 12,321,640 | 14,247,212 |
| End of Term Liability, Notes Payable | 1,790,000 | 1,432,000 |
| Deferred Revenue, Net of Current Portion | 2,690,033 | 2,832,867 |
| Deferred Rent Liability | 98,116 | 128,676 |
| Leasehold Improvement Loan, Net of Current Portion | 19,697 | 36,256 |
| TOTAL LIABILITIES | 28,142,347 | 22,893,543 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' (DEFICIENCY) EQUITY | | |
| Common Stock $0.0001 par value 75,000,000 shares authorized, and 12,886,741 and 10,713,087 shares issued and outstanding as of December 31, 2016 and December 31, 2015, | | |

| | | |
|---|---|---|
| respectively | 1,289 | 1,072 |
| Additional Paid-In Capital | 102,476,267 | 88,239,569 |
| Accumulated Deficit | (106,934,818) | (87,419,667) |
| TOTAL STOCKHOLDERS' (DEFICIENCY) EQUITY | (4,457,262 ) | 820,974 |
| TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY | $23,685,085 | $23,714,517 |

See notes to consolidated financial statements

**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| REVENUES: | | |
| Product revenue | $10,518,203 | $7,050,283 |
| License and other revenue | 142,834 | 127,350 |
| Total Revenues | 10,661,037 | 7,177,633 |
| OPERATING EXPENSES: | | |
| Cost of product revenue | 6,360,761 | 4,311,461 |
| Research and development | 7,688,238 | 7,015,946 |
| Plasma centers | 5,447,691 | 4,618,065 |
| General and administrative | 8,494,742 | 6,745,968 |
| TOTAL OPERATING EXPENSES | 27,991,432 | 22,691,440 |
| LOSS FROM OPERATIONS | (17,330,395) | (15,513,807) |
| OTHER INCOME (EXPENSE): | | |
| Interest income | 50,317 | 37,830 |
| Interest expense | (2,239,569) | (1,842,716) |
| Other income | 4,496 | — |
| Change in fair value of stock warrants | — | 67,860 |
| Loss on extinguishment of debt | — | (719,097) |
| OTHER EXPENSE, NET | (2,184,756) | (2,456,123) |
| NET LOSS | $(19,515,151) | $(17,969,930) |
| NET LOSS PER COMMON SHARE, Basic and Diluted | $(1.61) | $(1.73) |
| WEIGHTED AVERAGE SHARES OUTSTANDING, Basic and Diluted | 12,153,407 | 10,412,305 |

See notes to consolidated financial statements

**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIENCY) EQUITY**
**Years Ended December 31, 2016 and 2015**

| | Common Stock | | Additional | | |
|---|---|---|---|---|---|
| | Shares | Amount | Paid-in Capital | Accumulated Deficit | Total |
| Balance - December 31, 2014 | 9,291,823 | $929 | $75,457,458 | $(69,449,737) | $6,008,650 |
| Stock-based compensation | — | — | 1,711,047 | — | 1,711,047 |
| Issuance of common stock, net | 1,408,750 | 141 | 10,245,239 | — | 10,245,380 |
| Stock issued in connection with stock options exercised | 7,514 | 1 | 49,226 | — | 49,227 |
| Restricted stock | 5,000 | 1 | (1) | — | — |
| Elimination of warrant liability | — | — | 408,900 | — | 408,900 |
| Warrants issued in connection with note payable | — | — | 367,700 | — | 367,700 |
| Net loss | — | — | — | (17,969,930) | (17,969,930) |
| Balance - December 31, 2015 | 10,713,087 | 1,072 | 88,239,569 | (87,419,667) | 820,974 |
| Stock-based compensation | — | — | 1,250,074 | — | 1,250,074 |
| Issuance of common stock, net | 2,176,154 | 217 | 12,900,324 | — | 12,900,541 |
| Restricted stock | (2,500) | — | — | — | — |
| Warrants issued in connection with note payable | — | — | 86,300 | — | 86,300 |
| Net loss | — | — | — | (19,515,151) | (19,515,151) |
| Balance - December 31, 2016 | 12,886,741 | $1,289 | $102,476,267 | $(106,934,818) | $(4,457,262) |

See notes to consolidated financial statements

**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Years Ended December 31, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(19,515,151) | $(17,969,930) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 469,576 | 469,821 |
| Stock-based compensation | 1,250,074 | 1,711,047 |
| Warrant liability | — | (67,860) |
| Amortization of debt discount | 676,943 | 353,635 |
| Amortization of deferred financing costs | — | 39,717 |
| Payment-in-kind interest | — | 124,536 |
| Amortization of license and other revenue | (142,834) | (127,350) |
| Loss on extinguishment of debt | — | 719,097 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (93,559) | (540,507) |
| Inventories | (1,574,373) | (1,737,010) |
| Prepaid expenses | (202,887) | 32,559 |
| Accounts payable | 476,826 | 202,994 |
| Accrued expenses | 416,972 | (199,615) |
| Deferred revenue | — | 1,525,000 |
| Deferred rent liability | (30,560) | 45,462 |
| Net cash used in operating activities | (18,268,973) | (15,418,404) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of short-term investments | (15,680,000) | (18,130,000) |
| Redemptions of short-term investments | 16,657,993 | 16,414,498 |
| Purchase of property and equipment | (73,410) | (26,073) |
| Net cash provided by (used in) investing activities | 904,583 | (1,741,575) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from Oxford note payable | 4,000,000 | 16,000,000 |
| Proceeds from issuance of common stock | 14,145,000 | 10,257,380 |
| Proceeds from stock options exercised | — | 49,227 |
| Repayment of Hercules note payable | — | (15,300,781) |
| Prepayment penalty of early extinguishment of note payable | — | (229,512) |
| Payment of debt issuance costs | (47,104) | (228,065) |
| Payment of Hercules end of term fee | — | (132,500) |
| Equity issuance costs | (1,244,459) | — |
| Payments of leasehold improvement loan | (15,139) | (13,841) |
| Net cash provided by financing activities | 16,838,298 | 10,401,908 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (526,092) | (6,758,071) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 10,440,959 | 17,199,030 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | $9,914,867 | $10,440,959 |

| | | |
|---|---|---|
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid for interest | $1,530,235 | $1,326,788 |
| Supplemental Disclosure of Noncash Financing Activities: | | |
| Reclassification of equity issuance costs to additional paid-in capital | $— | $12,000 |
| Warrants issued in connection with note payable | $86,300 | $367,700 |
| End of term liability in connection with note payable | $358,000 | $1,432,000 |
| Elimination of warrant liability | $— | $408,900 |

See notes to consolidated financial statements

**ADMA BIOLOGICS, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**DECEMBER 31, 2016 AND 2015**

## 1. ORGANIZATION AND BUSINESS

ADMA Biologics, Inc. ("ADMA" or the "Company") is a late stage biopharmaceutical company that develops, manufactures, and intends to commercialize specialty plasma-derived biologics for the proposed treatment of immune deficiencies and prevention of certain infectious diseases. The Company's targeted patient populations include immune-compromised individuals who suffer from an underlying immune deficiency disease or who may be immune-suppressed for medical reasons. ADMA also operates through its wholly-owned subsidiary, ADMA Bio Centers Georgia Inc., ("ADMA BioCenters"), a source plasma collection business with U.S. Food and Drug Administration ("FDA") approved facilities in Norcross, Georgia and Marietta, Georgia. Each facility holds certifications from the German Health Authority ("GHA") and the Korean Ministry of Food and Drug Safety ("MFDS"). ADMA BioCenters supplies ADMA with a portion of its raw material plasma for the manufacture of RI-002, ADMA's lead product candidate, which the Company is currently developing for the treatment of Primary Immune Deficiency Disease ("PIDD"). A Biologics License Application ("BLA") for RI-002 was submitted to the FDA and accepted for review during the third quarter of 2015 for the treatment of PIDD. In July 2016, the FDA issued a Complete Response Letter ("CRL") to the Company for its BLA for RI-002. The CRL did not cite any concerns with the clinical safety or efficacy data for RI-002 submitted in the BLA, nor did the FDA request any additional clinical studies be completed prior to FDA approval of RI-002. The FDA identified in the CRL, among other things, certain outstanding inspection issues and deficiencies at the Company's third-party contract manufacturers and vendors and requested documentation of corrections for a number of those issues. The FDA indicated in the CRL that it cannot grant final approval of the BLA until, among other things, these deficiencies are resolved. Since receiving the CRL, the Company has worked diligently with its contract fill and finisher as well as the contract testing laboratory. The Company has also continued to work with its third-party contract manufacturer, Biotest Pharmaceuticals Corporation ("BPC"), and on January 21, 2017, the Company signed a definitive acquisition agreement to acquire certain manufacturing and therapy-related assets from Biotest in Boca Raton, Florida, a wholly-owned subsidiary of Biotest Aktiengesellschaft ("Biotest") in efforts to address the CRL and remediate the outstanding warning letter at the manufacturing facility. The acquisition of certain manufacturing and therapy-related assets of Biotest (the "Proposed Acquisition") is anticipated to close during the first half of 2017. The Company and its vendors are awaiting certain feedback from the agency on submissions already made and the Company intends to provide a timeline for resubmission of the BLA for RI-002 as soon as practicable.

The Company has experienced net losses and negative cash flows from operations since inception in 2004 and expects these conditions to continue for the foreseeable future. Since inception, the Company has needed to raise capital from the sales of its equity securities and debt financings to sustain operations. In May 2016, the Company completed an underwritten public offering of its common stock, raising gross proceeds of approximately $14.1 million, and subsequently borrowed an additional $4.0 million under its Loan and Security Agreement ("LSA") with Oxford Finance LLC ("Oxford"), which brought the total principal borrowed to $20.0 million (see Note 5). In February and December 2014, the Company borrowed a total of $15 million from Hercules Technology Growth Capital, Inc. ("Hercules") and

subsequently refinanced its borrowings of $16 million with Oxford (see Note 5). In March 2015, ADMA completed an underwritten public offering of its common stock, raising gross proceeds of $11.3 million. In June 2015, ADMA entered into the LSA with Oxford, as collateral agent and lender, pursuant to which ADMA accessed an initial term loan in the aggregate principal amount of $16.0 million, of which $15.7 million was used to repay the Hercules loan balance of $15.0 million, along with $0.4 million of interest, and $0.3 million of prepayment premium and other fees, (the "Prior Loan Agreement").

As of December 31, 2016, the Company had working capital of $10.4 million, consisting primarily of $9.9 million of cash and cash equivalents, $5.4 million of short-term investments, $1.0 million of accounts receivable, $5.0 million of inventories, and $0.3 million of prepaid expenses, offset primarily by the current portion of note payable due to Oxford of $6.1 million, $2.6 million of accounts payable, $2.4 million of accrued expenses and $0.2 million of deferred revenue. Based upon the Company's projected revenue and expenditures for 2017, including the fees associated to the Proposed Acquisition of certain BPC assets, regulatory and consulting fees for RI-002 associated with third-party manufacturers and ongoing discussions with the FDA, continuing implementation of the Company's commercialization and expansion activities and certain other assumptions, management currently believes that its cash, cash equivalents, short-term investments, projected revenue and accounts receivable are sufficient to fund ADMA's operations, as currently conducted, into the second half of 2017. These estimates may change based upon the timing of the closing of the Proposed Acquisition of certain BPC assets, whether or when the FDA approves RI-002, the timing of any required commercial manufacturing scale up activities or if any other assumptions of the Company change. This timing may also change based upon the timing of the completion of the Proposed Acquisition, anticipated during the first half of 2017. Upon the closing of the Proposed Acquisition, BPC will be providing funds to ADMA consisting of: $12.5 million in funding, $15.0 million in debt financing and an additional $12.5 million commitment towards a future equity financing is expected to be sufficient to fund operations into the first quarter of 2018. There is no assurance that we will be able to successfully close on the Proposed Acquisition. Other than the funding to be provided by BPC, the Company does not currently have arrangements to obtain additional financing. Furthermore, if the Company's assumptions underlying its estimated expenses and revenues are incorrect, it may have to raise additional capital sooner than anticipated. Due to numerous risks and uncertainties associated with the research and development and potential future commercialization of its product candidate, the Company is unable to estimate with certainty the amounts of increased capital outlays and operating expenditures associated with its development activities. The Company's current estimates may be subject to change as circumstances regarding its business requirements evolve. The Company may decide to raise capital through public or private equity offerings or debt financings, or obtain a bank credit facility or corporate collaboration and licensing arrangements. The Company does not have any existing commitments for future external funding. The sale of additional equity or debt securities, if convertible, could result in dilution to the Company's stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also result in covenants that would restrict the Company's operations or other financing alternatives. Additional equity or debt financing, grants, or corporate collaboration and potential licensing arrangements may not be available on acceptable terms, if at all. If adequate funds are not available, the Company may be required to delay, reduce the scope of or eliminate the Company's research and development programs, reduce the Company's planned clinical trials and delay or abandon potential commercialization efforts of the Company's lead or other product candidates. The Company has reported losses since inception in June 2004 through December 31, 2016 of $106.9 million. Management believes that the Company will continue to incur net losses and negative net cash flows from operating activities to fund its research and development, commercial programs and meet its obligations on a timely basis through the foreseeable future. As such, these factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts and the classification of liabilities that might be necessary from the outcome of this uncertainty.

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ADMA's long-term liquidity will be dependent upon on its ability to raise additional capital, to fund its research and development and commercial programs and meet its obligations on a timely basis. If ADMA is unable to successfully raise sufficient additional capital, it will likely not have sufficient cash flow and liquidity to fund its business operations, forcing ADMA to curtail activities and, potentially significantly reduce, or potentially cease operations. Even if ADMA is able to raise additional capital, such financings may only be available on unattractive terms, resulting in significant dilution of stockholders' interests and, in such event, the value and potential future market price of its common stock may decline.

There can be no assurance that the Company's research and development will be successfully completed or that any product will be approved or commercially viable. The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, dependence on collaborative arrangements, development by the Company or its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, and compliance with FDA and other governmental regulations and approval requirements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following comprises the Company's significant accounting policies:

Basis of presentation

The accompanying consolidated financial statements include the accounts of ADMA Biologics, Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and cash equivalents

The Company considers all highly-liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Company purchases certificates of deposit with maturity schedules of three, six, nine and twelve months. Instruments with original maturities greater than three months but less than twelve months are included in short-term investments.

The Company regularly maintains cash and short-term investments at third-party financial institutions in excess of the Federal Deposit Insurance Corporation, or FDIC, insurance limit. While the Company monitors the daily cash balances in the operating accounts and adjusts the balances as appropriate, these balances could be impacted, and there could be a material adverse effect on the Company’s business, if one or more of the financial institutions with which the Company has deposits fails or is subject to other adverse conditions in the financial or credit markets. To date, the Company has not experienced a loss or lack of access to its invested cash or cash equivalents; however, the Company cannot provide assurance that access to its invested cash and cash equivalents will not be impacted by adverse conditions in the financial and credit markets.

Inventories

Plasma inventories (both plasma intended for resale and plasma intended for internal use in the Company's research and development and future anticipated commercialization activities of which certain quantities are labeled as normal source and Respiratory Syncytial Virus, (“RSV”) high titer) are carried at the lower of cost or market value determined by the first-in, first-out method. Research and development plasma used in clinical trials was processed to a finished product and subsequently expensed to research and development. Inventory at December 31, 2016 and 2015 consists of high titer RSV plasma and normal source plasma.

Revenue recognition

Depending on the agreement with the customer, product revenues from the sale of human plasma collected at the Company's FDA-licensed plasma collection centers are recognized at the time of transfer of title and risk of loss to the customer, which occurs at the time of shipment. Product revenues are recognized at the time of delivery if the Company retains the risk of loss during shipment. For the fiscal year ended December 31, 2016, two of the Company's customers, SK Plasma Co., Ltd., "SK", and BPC, represented greater than 95% of our total revenues, with BPC representing approximately 82% of our total revenues and SK representing approximately 14% of our total revenues.

Revenue from license fees and research and development services rendered are recognized as revenue when the performance obligations under the terms of the license agreement have been completed.

Revenues for the year ended December 31, 2016 are comprised of product revenues from the sale of normal source human plasma collected from the Company's plasma collection centers segment and license and other revenues are primarily attributable to the out-licensing of RI-002 to Biotest AG to market and sell in Europe and selected countries in North Africa and the Middle East. Biotest and BPC, a subsidiary of Biotest, have provided the Company with certain services and financial payments in accordance with the related Biotest license agreement and is obligated to pay the Company certain amounts in the future if certain milestones are achieved. During the third quarter of 2015, the Company recorded deferred revenue of $1.5 million for a milestone payment provided to the Company after the BLA for RI-002 was filed with the FDA, in accordance with the terms of the Biotest license agreement. Deferred revenue is recognized over the term of the Biotest AG license. Deferred revenue is amortized into income for a period of approximately 20 years, the term of the Biotest license agreement.

Concentration of significant customers and accounts receivable

As of and for the years ended December 31, 2016 and 2015, the Company's trade receivable balance and revenues were substantially attributable to two customers.

Research and development costs

The Company expenses all research and development costs as incurred, of which such expenses include costs associated with planning and conducting clinical trials, manufacturing, quality, testing, validation, regulatory consulting and filing fees and employees' compensation expenses directly related to R&D activities.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include valuation of inventory, assumptions used in the fair value determination of stock-based compensation, warrants and the allowance for the valuation of future tax benefits.

Concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and short-term investments.

Property and equipment

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the asset’s estimated useful life, which is five to ten years. Leasehold improvements are amortized over the lesser of the lease term or their estimated useful lives.

Income taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts (“temporary differences”) at enacted tax rates in effect for the years in which the temporary differences are expected to reverse. The Company records a valuation allowance on its deferred income tax assets if it is more likely than not that these deferred income tax assets will not be realized.

The Company has no unrecognized tax benefits at December 31, 2016 and 2015. The Company's U.S. Federal and state income tax returns prior to fiscal year 2013 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company will recognize interest and penalties associated with tax matters as income tax expense.

Earnings Loss Per Share

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period.

Diluted net loss per share is calculated by dividing net loss attributable to common stockholders as adjusted for the effect of dilutive securities, if any, by the weighted average number of common stock and dilutive common stock outstanding during the period. Potential common stock includes the shares of common stock issuable upon the exercise of outstanding stock options and warrants (using the treasury stock method). Potential common stock in the diluted net loss per share computation is excluded to the extent that it would be anti-dilutive. No potentially dilutive securities are included in the computation of any diluted per share amounts as the Company reported a net loss for all periods presented. The aggregate number of potentially dilutive securities upon the exercise of outstanding warrants and stock options was 1.8 million and 1.7 million as of December 31, 2016 and 2015, respectively.

Stock-based compensation

The Company follows recognized accounting guidance which requires all stock-based payments, including grants of stock options, to be recognized in the statement of operations as compensation expense, based on their fair values on the grant date. The estimated fair value of stock options granted under the Company's 2007 Employee Stock Option Plan (the "Plan") and the 2014 Omnibus Incentive Compensation Plan (the "2014 Plan") is recognized as compensation expense over the option-vesting period.

During the years ended December 31, 2016 and 2015, stock options to purchase 100,984 and 432,500 shares of common stock, respectively, were issued to employees and non-employee directors. During the year ended December 31, 2016, options to purchase 21,334 shares of common stock were forfeited and options to purchase 8,666 shares of common stock expired. During the year ended December 31, 2015, options to purchase 7,514 shares of common stock were exercised by an employee and options to purchase 9,710 shares of common stock were forfeited.

On June 19, 2014, at the Annual Meeting of Stockholders (the "Annual Meeting"), the stockholders approved the 2014 Plan, which was approved by the Board of Directors of ADMA (the "Board") on February 21, 2014. The maximum number of shares reserved for grant under the 2014 Plan is: (a) 800,000 shares; plus (b) an annual increase as of the first day of the Company's fiscal year, beginning in 2015 and occurring each year thereafter through 2020, equal to the least of (i) 200,000 shares, (ii) 1% of the outstanding shares of common stock as of the end of the Company's immediately preceding fiscal year, and (iii) any lesser number of shares determined by the Board; provided, however, that the aggregate number of shares available for issuance pursuant to such increases shall not exceed a total of 800,000 shares.

During the years ended December 31, 2016 and 2015, the Company recorded stock-based compensation expense to employees of $1,250,074 and $1,711,047, respectively. The fair value of employee options granted was determined on the date of grant using the Black-Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of publicly traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The Company's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. To determine the risk-free interest rate, the Company utilized the U.S. Treasury yield curve in effect at the time of the grant with a term consistent with the expected term of the Company's awards. The expected term of the options granted is in accordance with Staff Accounting Bulletins 107 and 110, which is based on the average between vesting terms and contractual terms. The expected dividend yield reflects the Company's current and expected future policy for dividends on the Company's common stock. The expected stock price volatility for the Company's stock options was calculated by examining the pro rata historical volatilities for similar publicly traded industry peers and the trading history for the Company's common stock. The Company will continue to analyze the expected stock price volatility and expected term assumptions. The Company has not experienced any material forfeitures of stock options and, as such, has not established a forfeiture rate since the stock options currently outstanding are primarily held by the Company's senior management and directors. The Company will continue to evaluate the effects of such future potential forfeitures, as they may arise, to evaluate the Company's estimated forfeiture rate.

The Company records compensation expense associated with stock options and other forms of equity compensation using the Black-Scholes option-pricing model and the following assumptions:

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| Expected term | 5.8-6.3 years | 5.8-6.3 years |
| Volatility | 51-52 % | 51-58 % |
| Dividend yield | 0.0 | 0.0 |
| Risk-free interest rate | 1.54-1.79% | 1.49-2.14% |

Fair value of financial instruments

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, short-term investments, accounts payable, and notes payable are shown at cost which approximates fair value due to the short-term nature of these instruments.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU No. 2017-01, *Business Combinations – Clarifying the Definition of a Business,* which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. This standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company does not expect this new guidance to have a material impact on its consolidated financial statements.

In March 2016, the FASB, issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting (Topic 718),* which provides for simplification of certain aspects of employee share-based payment accounting including income taxes, classification of awards as either equity or liabilities, accounting for forfeitures and classification on the statement of cash flows. ASU 2016-09 will be effective for the Company in the first quarter of 2017 and will be applied either prospectively, retrospectively or using a modified retrospective transition approach depending on the area covered in this update. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

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

In November 2015, the FASB issued ASU No. 2015-17*, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes*, which includes amendments that require deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted as of the beginning of an interim or annual reporting period. The amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments*, which includes amendments that require an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this ASU require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the changes to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this ASU require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of the ASU with earlier application permitted for financial statements that have not yet been made available for issuance. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. The standard requires entities to measure most inventory "at the lower of cost and net realizable value," thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures, one of which is net realizable value). The standard is effective for the Company prospectively beginning January 1, 2017. The adoption of ASU 2015-11 is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. The Company adopted ASU 2015-03 in its second quarter 2015 consolidated financial statements and recast the prior period balances to conform to the current period presentation.

In August 2014, the FASB issued ASU No. 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,* which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements (or within one year after the date on which the financial statements are available to be issued, when applicable). Further, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The FASB believes that requiring management to perform the assessment will enhance the timeliness, clarity, and consistency of related disclosures and improve convergence with International Financial Reporting Standards ("IFRS") (which emphasize management's responsibility for performing the going-concern assessment). However, the time horizon for the assessment (look-forward period) and the disclosure thresholds under GAAP and IFRSs will continue to differ. This guidance is effective for annual reporting periods ending after December 15, 2016, and for annual periods and interim periods thereafter, with early adoption permitted. The Company has adopted this standard which has not had a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires that an entity recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. In order to achieve this core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. This update will replace existing revenue recognition guidance under GAAP, when it becomes effective for us beginning January 1, 2018, with early adoption permitted in the first quarter of 2017. The updated standard will permit the use of either the retrospective or cumulative effect transition method. The Company is currently assessing the impact of the new guidance on its results of operations. Based on its procedures performed to date, nothing has come to the Company's attention that would indicate that the adoption of ASU 2014-09 will have a material impact on its consolidated financial statements, however, the Company will

continue to evaluate this assessment. The Company has not yet selected a transition method. The Company is still evaluating disclosure requirements under the new standard. The Company will continue to evaluate the standard as well as additional changes, modifications or interpretations which may impact its current conclusions.

**3. PROPERTY AND EQUIPMENT**

| Property and equipment consist of the following at December 31, | 2016 | 2015 |
|---|---|---|
| Lab and office equipment | $1,336,668 | $1,272,042 |
| Computer software | 188,277 | 188,277 |
| Leasehold improvements | 2,699,104 | 2,690,320 |
| | 4,224,049 | 4,150,639 |
| Less: Accumulated depreciation and amortization | (2,223,265) | (1,753,689) |
| | $2,000,784 | $2,396,950 |

The Company recorded depreciation and amortization expense of $469,576 and $469,821 for the years ended December 31, 2016 and 2015, respectively.

**4. LEASEHOLD IMPROVEMENT LOAN**

In connection with the lease of commercial real estate by the Company's wholly-owned subsidiary for the operation of the plasma collection center, the Company borrowed $125,980 from the lessor to pay for leasehold improvement costs in excess of the allowance provided for in the lease agreement. The loan bears interest at 9% and is payable in 120 monthly installments of $1,596 maturing January 2019. Principal maturities under the loan are as follows:

| | |
|---|---|
| 2017 | $16,559 |
| 2018 | 18,113 |
| 2019 | 1,584 |
| | $36,256 |

**5. DEBT**

Loan and Security Agreement

On June 19, 2015, the Company entered into an LSA with Oxford for up to $21.0 million of debt financing in two term loan tranches. The first term loan tranche of $16.0 million from the LSA (the "Term A Loan") was primarily used to repay the Company's previous debt facility with Hercules dated December 2012. As a result of prepaying the Hercules loan prior to maturity, the Company incurred a loss on extinguishment of debt of $0.7 million comprised of unamortized debt issuance costs, unamortized debt discount related to the warrants issued to Hercules, along with a prepayment penalty.

The outstanding term loans bear interest at a rate per annum equal to the greater of (i) 7.80% and (ii) the sum of (a) the three month U.S. LIBOR rate (as reported in *The Wall Street Journal*) on the date occurring on the last business day of the month that immediately precedes the month in which the interest will accrue, plus (b) 7.54% on the outstanding principal balance. The Company became obligated to begin to repay the principal over 36 months beginning on February 1, 2017, unless accelerated as a result of certain events of default. A final payment equal to 8.95% of the funded loan amount is due at the earlier of loan maturity or prepayment. All term loans mature no later than January 1, 2020. The loans are secured by the Company's assets, except for its intellectual property (which is subject to a negative pledge). The LSA contains customary representations, warranties and covenants, including limitations on incurring indebtedness, engaging in mergers or acquisitions and making investments, distributions or transfers.

In connection with the entry into the LSA, on June 19, 2015, the Company issued to Oxford a seven-year warrant, expiring on June 19, 2022, to purchase 74,309 shares of common stock at an exercise price of $8.51 per share. The Company recorded $367,700 as the fair value of the warrant to additional paid-in capital and as a debt discount to the carrying value of the loan. The key assumptions used to value the warrants included: (i) volatility of 57% on our common stock based upon a pro rata percentage of our common stock's volatility and similar public companies' volatilities for comparison; (ii) an expected dividend yield of 0.0%; (iii) a risk-free interest rate of 1.99%; and (iv) a term of seven years. As a result of prepaying the Company's prior loan before maturity, the Company incurred a loss on extinguishment of debt of $0.7 million comprised of unamortized debt issuance costs and unamortized debt discount related to the warrants issued to the Company's prior lender, along with a prepayment penalty.

In May 2016, the Company amended the LSA with Oxford (the "Amended LSA") which provided ADMA with an additional $4.0 million term loan (the "Term B Loan"), the availability of which was conditioned on completing an equity financing of its common stock of at least $10.0 million in gross proceeds no later than May 31, 2016. On May 3, 2016, the Company completed an underwritten public offering of its common stock, raising gross proceeds of approximately $14.1 million and subsequently borrowed the additional $4.0 million from Oxford under the Amended LSA, which brings the total principal amount borrowed to $20.0 million.

In the event the Company prepays a term loan for any reason, the Company is obligated to pay a prepayment charge corresponding to a percentage of the principal amount of the applicable term loan prepaid. The Amended LSA further modified the fees payable by the Company on mandatory or voluntary prepayment of a term loan prior to its maturity date as follows: (i) for a prepayment made on or after the funding date of the applicable term loan through and including the first anniversary of its funding date, an amount equal to 3.00% of the principal amount of the term loan prepaid; (ii) for a prepayment made after the first anniversary of the funding date of the applicable term loan through and including the second anniversary of such funding date, an amount equal to 2.00% of the principal amount of such term loan prepaid; and (iii) for a prepayment of a term loan made after the second anniversary of its funding date and prior to its maturity date, an amount equal to 1.00% of the principal amount of the term loan prepaid.

Pursuant to the Amended LSA, (i) the Company paid a total facility fee of $125,000, consisting of $105,000 previously paid and an additional $20,000 paid on the date the Term B Loan was funded; (ii) certain adjustments were made to the time periods for any applicable prepayment fees; and (iii) certain defined terms were adjusted, including a new Amortization Date that is defined as (a) February 17, 2017, if the Term C Loan is not made and (b) August 1, 2017 if the Term C Loan is made. The Amended LSA further provides for customary representations, warranties and covenants for the Company. Except as otherwise amended, the Amended LSA does not alter the terms of the LSA.

In connection with the Amended LSA, on May 13, 2016, the Company issued to Oxford a seven-year warrant, expiring on May 23, 2023, to purchase 24,800 shares of common stock at an exercise price of $6.37 per share, equal to 3.95% of the amount drawn of such tranche, divided by the average reported closing price per share of common stock for the consecutive 10 trading days prior to the applicable draw in accordance with the Company’s drawdown of the Term B Loan. The Company recorded $86,300 as the fair value of the warrant to additional paid-in capital and as a debt discount to the carrying value of the loan. The key assumptions used to value the warrants included: volatility of 53.5% on the Company’s common stock based upon a pro rata percentage of the Company’s common stock’s volatility and similar public companies’ volatilities for comparison, an expected dividend yield of 0.0%, a risk-free interest rate of 1.51% and a term of seven years.

A summary of the Oxford loan balance is as follows:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Gross proceeds | $20,000,000 | $16,000,000 |
| Less: debt discount, net | | |
| End of term fee | (1,155,157) | (1,250,194) |
| Warrants | (257,201) | (310,196) |
| Financing fees | (154,891) | (192,398) |
| Note payable | $18,432,751 | $14,247,212 |

Future amortization of financing fees for each of the years subsequent to December 31, 2016 are as follows:

| | |
|---|---|
| 2017 | $708,720 |
| 2018 | 529,888 |
| 2019 | 328,641 |
| | $1,567,249 |

**6. STOCKHOLDERS' EQUITY**

On May 3, 2016, the Company completed an underwritten public offering of 2,176,154 shares of its common stock, for gross proceeds of approximately $14.1 million. Net proceeds from this offering were approximately $13.0 million, after payment of underwriting discounts and offering expenses of approximately $1.1 million. The shares were sold under a shelf registration statement on Form S-3 (File No. 333-200638) that was declared effective by the SEC on December 23, 2014.

On March 18, 2015, the Company closed an underwritten sale of 1,225,000 shares of its common stock, as well as 183,750 additional shares of its common stock pursuant to the full exercise of the over-allotment option granted to the underwriters, for gross proceeds of approximately $11.3 million. Net proceeds from this offering were approximately $10.2 million, net of underwriting discounts and offering expenses of approximately $1.1 million. The shares were sold under a shelf registration statement on Form S-3 (File No. 333-200638) that was declared effective by the SEC on December 23, 2014.

Oxford and Hercules Debt Financing Warrant Issuance

In May 2016, the Company issued to Oxford warrants to purchase an aggregate of up to 24,800 shares of the Company's common stock at an exercise price equal to $6.37 per share. The warrants became exercisable on May 13, 2016 for cash or by net exercise and will expire seven years after their issuance on May 13, 2023. In connection with the LSA with Oxford, on June 19, 2015, the Company issued to Oxford a seven year warrant, expiring on June 19, 2022, to purchase 74,309 shares of common stock at an exercise price of $8.51 per share. In connection with the Prior Loan Agreement with Hercules, on December 21, 2012, the Company issued to Hercules a warrant to purchase 31,750 shares of common stock with an exercise price of $7.56, subject to customary anti-dilution adjustments. In connection with the Loan Amendment, the Company issued to Hercules a warrant to purchase 23,200 and 34,800 shares of common stock of the Company in February and December 2014, respectively, with an exercise price set at the lower of (i) $7.50 per share or (ii) the price per share of the next round of financing from the expiration of the exercise price adjustment, subject to customary anti-dilution adjustments. The warrant expires after 10 years and has piggyback registration rights with respect to the shares of common stock underlying the warrant. The down round warrant protection feature resulting in the warrant liability's quarterly "mark-to-market" valuation has terminated as of the end of the one-year period following the amended Loan Closing on February 24, 2014 (see Note 5).

**7. RELATED PARTY TRANSACTIONS**

The Company leases an office building and equipment from an entity owned by related parties on a month-to-month basis of which terms were amended by the Company's Board of Directors in June 2016. Rent expense amounted to $192,000 and $96,448 for the years ended December 31, 2016 and 2015, respectively. The Company also reimburses its landlord and affiliates for office and building related (common area) expenses, equipment and certain other operational expenses, which have been insignificant to the consolidated financial statements for the years ended December 31, 2016 and 2015. The Company maintains deposits and other accounts at a bank which was less than 5%-owned by related parties through January 2016, and where a stockholder and Company director was previously a member of the bank's board of directors through January 2016, and is now a member of its Corporate Advisory Council.

**8. COMMITMENTS AND CONTINGENCIES**

Lease commitments

The Company has entered into leases for its ADMA BioCenters' facilities located in Norcross, Georgia and in Marietta, Georgia. The Norcross, Georgia lease, the term of which was extended by five years on January 1, 2014 pursuant to the first of two available five-year renewal options, expires on September 30, 2023, and the Marietta, Georgia lease expires on January 31, 2024. Total rent expense for its New Jersey and Georgia facilities during the years ended 2016 and 2015 was approximately $535,000 and $420,000, respectively.

Future minimum lease payments for both leases, for each of the five years ending December 31 and thereafter are as follows:

| | |
|---|---|
| 2017 | $359,059 |
| 2018 | 362,774 |
| 2019 | 375,198 |
| 2020 | 376,812 |
| 2021 | 381,329 |
| Thereafter | 732,079 |
| | $2,587,251 |

Vendor and Licensor Commitments

On December 31, 2012, the Company entered into a Manufacturing, Supply and License Agreement with BPC, which replaces a prior agreement that expired on December 31, 2012. Under the agreement, the Company agreed to purchase exclusively from BPC its worldwide requirements of RSV immune globulin manufactured from human plasma containing RSV antibodies. The term of the agreement is for a period of ten years from January 1, 2013, renewable for two additional five-year periods at the agreement of both parties. The Company is obligated under this agreement to purchase a minimum of at least one lot of product during each calendar year after the finished product is approved by the FDA. This number is subject to increase at the Company's option. As consideration for BPC's obligations under the agreement, the Company is obligated to pay a dollar amount per lot of RSV immune globulin manufactured from human plasma containing RSV antibodies, as well as a percentage royalty on the sales thereof and of RI-002, up to a specified cumulative maximum. The agreement may be terminated by either party (a) by reason of a material breach if the breaching party fails to remedy the breach within 120 days after receiving notice of the breach from the other party, (b) upon bankruptcy, insolvency, dissolution, or winding up of the other party, or (c) if the other party is unable

to fulfill its obligations under the agreement for 120 consecutive days or more as a result of (a) or (b) above. The parties have agreed to a mutual release with respect to any claims relating to or arising from any breach or default under the existing Manufacturing Supply and License Agreement and Master Services Agreement between the Company and BPC.

In a separate license agreement effective December 31, 2012, the Company granted BPC an exclusive license to market and sell RSV antibody-enriched Immune Globulin Intravenous (“IVIG”) in Europe and in selected countries in North Africa and the Middle East, collectively referred to as the Territory, to have access to the Company’s testing services for testing of BPC’s plasma samples using the Company’s proprietary RSV assay, and to reference (but not access) the Company’s proprietary information for the purpose of BPC seeking regulatory approval for the RSV antibody-enriched IVIG in the Territory. As consideration for the license, BPC agreed to provide the Company with certain services at no charge and also compensate us with cash payments upon the completion of certain milestones. Such services have been accounted for as deferred revenue which were recorded in 2013 as a result of certain research and development services as provided for in accordance with a license agreement. Deferred revenue is recognized over the term of the license and is amortized into income for a period of approximately 20 years, the term of the license agreement. BPC is also obligated to pay the Company an adjustable royalty based on a percentage of revenues from the sale of RSV antibody-enriched IVIG in the Territory for 20 years from the date of first commercial sale. Additionally, BPC has agreed to grant the Company an exclusive license for marketing and sales in the U.S. and Canada for BPC’s Varicella Zoster Immune Globulin (“VZIG”); however, as a result of the Proposed Acquisition the terms associated to VZIG will be terminated upon the closing of the Proposed Acquisition during the first half of 2017.

Pursuant to the terms of a Plasma Purchase Agreement with BPC, the Company has agreed to purchase from BPC an annual minimum volume of source plasma containing antibodies to RSV to be used in the manufacture of RI-002. This volume will increase at the earlier of the Company's receipt of a BLA from the FDA, or March 31, 2016. The Company must purchase a to-be-determined and agreed upon annual minimum volume from BPC but may also collect high-titer RSV plasma from up to five wholly-owned ADMA BioCenters. During 2015, BPC and ADMA amended their Plasma Purchase Agreement to allow ADMA the ability to collect its raw material RSV high-titer plasma from other third party collection organizations, thus allowing ADMA to expand its reach for raw material supply as the Company approaches commercialization for RI-002. Unless terminated earlier, the agreement expires in November 2021, after which it may be renewed for two additional five-year periods if agreed to by the parties. Either party may terminate the agreement if the other party fails to remedy any material default in the performance of any material condition or obligation under the agreement following notice. Either party may also terminate the agreement, after providing written notice, if a proceeding under any bankruptcy, reorganization, arrangement of debts, insolvency or receivership law is filed by or against the other party, and is not dismissed or stayed, or a receiver or trustee is appointed for all or a substantial portion of the assets of the other party, or the other party makes an assignment for the benefit of its creditors or becomes insolvent. The Company may also terminate the agreement upon written notice if the clinical development of its product candidate is halted or terminated, whether by the FDA, a Data Safety Monitoring Board, or any other regulatory authority. Upon termination of the agreement, the Company must pay for any source plasma already delivered to the Company and for any source plasma collected under the terms of the agreement. As part of the acquisition of certain assets of BPC, BPC and ADMA amended the Plasma Purchase Agreement, to extend the purchase from BPC an annual minimum of plasma containing antibodies to RSV for ten years through the closing date of the transaction which is anticipated during the first half of 2017.

Employment contracts

The Company has entered into employment agreements with its executive management team consisting of its President and Chief Executive Officer, Chief Medical and Scientific Officer and Chief Financial Officer.

General legal matters

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

Other commitments

In the normal course of business, the Company enters into contracts that contain a variety of indemnifications with its employees, licensors, suppliers and service providers. Further, the Company indemnifies its directors and officers who are, or were, serving at the Company's request in such capacities. The Company's maximum exposure under these arrangements is unknown as of December 31, 2016. The Company does not anticipate recognizing any significant losses relating to these arrangements.

**9. STOCK OPTIONS**

The Company has adopted two stock option plans. On July 16, 2007 (the "Effective Date"), the Company's Board and stockholders adopted the 2007 Plan. On July 17, 2012, the Company's Board and stockholders amended the 2007 Plan to increase the aggregate number of options available for grant to 903,224. On February 21, 2014 the Board approved the 2014 Plan, which was approved by stockholders at the Annual Meeting of Stockholders (the "Annual Meeting") on June 19, 2014. Additionally, the Board also, approved subject to stockholder approval at the Annual Meeting under the Prospective Plan, 800,000 shares of common stock plus an annual increase to be added as of the first day of the Company's fiscal year, beginning in 2015 and occurring each year thereafter through 2020, equal to the lower of 200,000, or 1% of the outstanding shares of common stock as of the end of the Company's immediately preceding fiscal year and any lesser number of shares determined by the Board, provided that the aggregate number of shares available for issuance pursuant to such increases shall not exceed a total of 800,000 shares reserved for issuance under the terms of the 2014 Plan. As of December 31, 2016, the aggregate options approved in the 2007 Plan and 2014 Plan are 1,903,273 with 1,535,187 outstanding and expected to vest and 368,086 available for future issuance. During the year ended December 31, 2016, there were 21,334 options forfeited and 8,666 options expired; such options were included in the stock option plans.

The 2007 and 2014 Plans provides for the Board or a Committee of the Board (the "Committee") to grant awards to optionees and to determine the exercise price, vesting term, expiration date and all other terms and conditions of the awards, including acceleration of the vesting of an award at any time. All options granted under the 2007 and 2014 Plans are intended to be incentive stock options ("ISOs"), unless specified by the Committee to be non-qualified options ("NQOs") as defined by the Internal Revenue Code. ISOs and NQOs may be granted to employees, consultants or Board members at an option price not less than the fair market value of the common stock subject to the stock option agreement. The following table summarizes information about stock options outstanding as of December 31, 2016 and 2015:

| | Year Ended December 31, 2016 | | Year Ended December 31, 2015 | |
|---|---|---|---|---|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of period | 1,464,203 | $ 8.02 | 1,048,927 | $ 7.24 |
| Forfeited | (21,334) | 8.02 | (9,710) | 9.16 |
| Expired | (8,666) | 7.88 | (7,514) | 6.55 |
| Granted | 100,984 | 6.20 | 432,500 | 9.92 |
| Outstanding at end of period and expected to vest | 1,535,187 | 7.90 | 1,464,203 | 8.02 |
| Options exercisable | 1,179,143 | $ 7.64 | 880,457 | $ 7.19 |
| Weighted average fair value of options granted during the year | | $ — | | $ 5.25 |

The weighted average remaining contractual term of stock options outstanding and expected to vest at December 31, 2016 is 6.4 years. The weighted average remaining contractual term of stock options exercisable at December 31, 2016 is 5.8 years.

Stock-based compensation expense for the years ended December 31, 2016 and 2015 was:

| | 2016 | 2015 |
|---|---|---|
| Research and development | $439,982 | $724,776 |
| Plasma centers | 52,973 | 48,386 |
| General and administrative | 757,119 | 937,885 |
| Total stock-based compensation expense | $1,250,074 | $1,711,047 |

As of December 31, 2016, the total unrecognized compensation expense related to unvested options totaled $1,616,337. The weighted-average vesting period over which the total compensation expense will be recorded related to unvested options at December 31, 2016 was approximately 2.2 years.

The aggregate intrinsic value is calculated as the difference between (i) the closing price of the common stock at December 31, 2016 and (ii) the exercise price of the underlying awards, multiplied by the number of options that had an exercise price less than the closing price on the last trading day. The Company’s outstanding and exercisable

options had an intrinsic value of $260,974 as of December 31, 2016.

**10. INCOME TAXES**

A reconciliation of income taxes at the U.S. Federal statutory rate to the benefit for income taxes is as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Benefit at U.S. Federal statutory rate | $(6,635,151) | $(6,109,776) |
| State taxes - deferred | (266,312) | (124,874) |
| Increase in valuation allowance, inclusive of true-ups | 5,755,413 | 6,021,614 |
| Research and development credits | (322,499) | (389,355) |
| Other | 1,468,549 | 602,391 |
| Benefit for income taxes | $— | $— |

A summary of the Company's deferred tax assets is as follows:

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Federal and state net operating loss carryforwards | $30,843,479 | $25,834,860 |
| Federal and state research credits | 4,099,249 | 4,353,534 |
| Transaction costs | 652,695 | — |
| Deferred revenue | 972,345 | 1,020,872 |
| Accrued expenses and other | 747,586 | 350,675 |
| Total gross deferred tax assets | 37,315,354 | 31,559,941 |
| Less: valuation allowance for deferred tax assets | (37,315,354) | (31,559,941) |
| Net deferred tax assets | $— | $— |

We have incurred substantial losses during our history. As of December 31, 2016, we had Federal and state Net Operating Losses, ("NOLs") of $87.8 million and $75.2 million, respectively, as well as Federal research and development tax credit carryforwards of approximately $4.1 million. The $87.8 million and $75.2 million in Federal and state NOLs, respectively, will begin to expire at various dates beginning in 2027, if not limited by triggering events prior to such time. Under the provisions of the Internal Revenue Code, changes in our ownership, in certain circumstances, will limit the amount of Federal NOLs that can be utilized annually in the future to offset taxable income. In particular, Section 382 of the Internal Revenue Code imposes limitations on a company's ability to use NOLs upon certain changes in such ownership. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to utilize our NOLs fully. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership that we cannot predict or control that could result in further limitations being placed on our ability to utilize our Federal NOLs.

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, the Company assesses all available positive and negative evidence. This evidence includes, but is not limited to, prior earnings history, expected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objective negative evidence of recent financial reporting losses. Based on these criteria and the relative weighting of both the positive and negative evidence available, management continues to maintain a full valuation allowance against its net deferred tax assets.

**11. SEGMENTS**

The Company is engaged in the development and commercialization of human plasma and plasma-derived therapeutics. The Company also operates two FDA-licensed source plasma collection facilities located in Norcross, Georgia and Marietta, Georgia. The Company defines its segments as those business units whose operating results are regularly reviewed by the chief operating decision maker ("CODM") to analyze performance and allocate resources. The Company's CODM is its President and Chief Executive Officer.

The plasma collection center segment includes the Company's operations in Georgia. The research and development segment includes the Company's plasma development operations in New Jersey.

Summarized financial information concerning reportable segments is shown in the following tables:

| Year Ended December 31, 2016 | Plasma Collection Centers | Research and Development | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | $10,518,203 | $— | $142,834 | $10,661,037 |
| Cost of product revenue | 6,360,761 | — | — | 6,360,761 |
| Gross profit | 4,157,442 | — | 142,834 | 4,300,276 |
| Loss from operations | (1,290,249) | (7,688,238) | (8,351,908) | (17,330,395) |
| Other expense | — | — | (2,184,756) | (2,184,756) |
| Loss before income taxes | (1,290,249) | (7,688,238) | (10,536,664) | (19,515,151) |
| Total assets | 2,421,535 | — | 21,263,550 | 23,685,085 |
| Depreciation and amortization expense | 414,464 | — | 55,112 | 469,576 |

| Year Ended December 31, 2015 | Plasma Collection Centers | Research and Development | Corporate | Consolidated |
|---|---|---|---|---|
| Revenues | $7,050,283 | $— | $127,350 | $7,177,633 |
| Cost of product revenue | 4,311,461 | — | — | 4,311,461 |
| Gross profit | 2,738,822 | — | 127,350 | 2,866,172 |
| Loss from operations | (1,879,243) | (7,015,946) | (6,618,618) | (15,513,807) |
| Other expense | — | — | (2,456,123) | (2,456,123) |
| Loss before income taxes | (1,879,243) | (7,015,946) | (9,074,741) | (17,969,930) |
| Total assets | 2,719,641 | — | 20,994,876 | 23,714,517 |
| Depreciation and amortization expense | 419,301 | — | 50,520 | 469,821 |

The “Corporate” column includes general and administrative overhead expenses. Total assets included in the “Corporate” column above includes assets related to corporate and support functions.

**12. OTHER EMPLOYEE BENEFITS**

The Company sponsors a 401(k) savings plan. Under the plan, employees may make contributions which are eligible for a Company discretionary percentage contribution as defined in the plan and determined by the Board of Directors. The Company recognized approximately $0.2 million and $0.1 million of related compensation expense for the years ended December 31, 2016 and 2015, respectively.

**13. SUBSEQUENT EVENTS**

**Summary of Proposed Acquisition of Certain Assets of BPC**

On January 21, 2017, the Company and its wholly-owned subsidiary, ADMA BioManufacturing, LLC, a Delaware limited liability company ("ADMA BioManufacturing"), entered into a definitive Master Purchase and Sale Agreement (as amended, restated, supplemented, or otherwise modified from time to time (the "Purchase Agreement") with BPC, and for certain limited purposes set forth in the Purchase Agreement, Biotest, and Biotest US Corporation, a Delaware corporation and subsidiary of Biotest (together with Biotest, the "Biotest Guarantors"), pursuant to which ADMA BioManufacturing has agreed to acquire certain assets and assume certain liabilities constituting the therapy business of BPC (the "BTBU"). The foregoing transactions and the other transactions contemplated by the Purchase Agreement are collectively referred to as the "Proposed Acquisition." The Business includes (a) a FDA-licensed immune globulin manufacturing and plasma products production facility of two buildings in Boca Raton, Florida, and the associated real property, (b) all exclusive rights to FDA licensed biologics products Nabi-HB®, BIVIGAM® and the investigational product CIVACIR®, (c) in-process inventory with an agreed-upon value of at least $5.0 million, (d) certain other properties and assets used exclusively in the Business, and (e) certain additional assets which relate to both the Business and BPC's plasma business the arrangement with respect to which will be documented in a transition services agreement to be mutually agreed by the parties between the signing of the Purchase Agreement and the closing of the Proposed Acquisition.

Subject to the terms and conditions of the Purchase Agreement, (i) upon the closing, the Company has agreed to assume certain liabilities of BPC related to the Business, including, without limitation, related to (x) product liabilities, breach of warranty, product complaints, product returns, post-market commitments, recalls, adverse event reporting, product deviation reporting, lookbacks, market withdrawals and field corrections or similar claims for injury to person or property with respect to the Business or any product of the Business to the extent such liabilities relate to products manufactured and sold by ADMA BioManufacturing after the closing (other than inventory transferred to the Company at the closing, which will be allocated 50% to ADMA BioManufacturing and 50% to BPC if not traceable to acts or omissions of a particular party); and (y) other regulatory matters, whether related to the pre-closing or post-closing period and including any liabilities related to the products of the Business, the FDA warning letter (the warning letter issued by the FDA to BPC in connection with outstanding issues requiring

remediation at the manufacturing facility in Boca Raton, Florida), noncompliance with applicable laws and legal proceedings related to the foregoing, but excluding such liabilities that arise out of any fraud, willful misconduct or intentional misrepresentation by BPC prior to the closing (the "Assumed Liabilities"); (ii) upon the closing, the Company has agreed to deliver to BPC an aggregate equity interest in the Company equal to 50%, less one share, of its issued and outstanding capital stock (calculated as of immediately following the closing and on a post-closing issuance basis) (the "Biotest Equity Interest"), consisting of (x) common stock representing 25% of the Company's issued and outstanding common stock, equal to 4,295,580 common shares and (y) non-voting common stock equal to 8,591,160 shares of the Company's non-voting common stock representing the balance of the Biotest Equity Interest which is convertible into common stock of the Company upon the occurrence of certain specified events; (iii) upon the closing, the Company agreed to issue to BPC warrants, if any, necessary to acquire additional shares of the Company's capital stock equal to the excess, if any, of (x) the number of shares represented by rights, options and warrants issued by the Company between September 12, 2016 until the closing, over (y) 184,000 shares; and (iv) on January 1, 2019, pursuant to the terms of a separate purchase agreement to be entered into by the parties at the closing, the Company has agreed to sell, transfer and convey to BPC for no additional consideration, all of its right, title and interest in and to the Company's certain biocenter located in Norcross, Georgia and the Company's certain biocenter located in Marietta, Georgia, which are subject to a repurchase right in favor of the Company if within five years after January 1, 2019, the Biotest stockholders and its related entities own less than 20% of the Company's issued and outstanding capital stock. As part of the consideration, upon the closing, BPC will also be granted the right to designate one director and one observer to the Company's board of directors, and under certain circumstances, BPC will be granted the right to designate an additional director.

Additionally, on the closing date, BPC has agreed to (i) deliver to the Company a capital contribution of $12.5 million in respect of the Biotest Equity Interest, which capital contribution will be contributed by BPC to ADMA BioManufacturing; and (ii) fund a $15.0 million unsecured subordinated loan to the Company, which (a) will bear interest at a rate of 6% per annum, payable semiannually in arrears, (b) has a term of five years and (c) will not be subject to any prepayment penalty or other breakage costs. Such loan will be subordinated to the Company's existing indebtedness as of the signing of the Purchase Agreement and any additional indebtedness approved by the Company's board of directors which is secured only by a mortgage on the owned real property acquired in connection with the transaction. Such loan will rank pari passu with all additional indebtedness approved by the Company's board of directors that is not secured only by a mortgage on such owned real property and if such additional indebtedness is secured, the loan from BPC will be secured on a pari passu basis with such additional indebtedness. At any time after the closing, if the Company undertakes an underwritten equity financing or a Private Investment in Public Equity, or PIPE, offering involving at least one unrelated third party, Biotest and/or BPC have agreed to participate pro rata in accordance with the Biotest Equity Interest up to an aggregate amount equal to $12.5 million.

Upon the closing, the parties will also enter into a ten-year plasma supply agreement, pursuant to which (x) BPC will sell to the Company high titer Hepatitis B plasma at a specified price (indexed by inflation), and (y) the Company will purchase from BPC all Hepatitis B plasma necessary to produce Nabi-HB® unless the Company requires more than a specified amount, in which case the Company may use alternative sources for the excess quantity. Additionally, the parties have agreed to a mutual release with respect to any claims relating to or arising from any breach or default under the Manufacturing Supply and License Agreement and Master Services Agreement between the Company and BPC. The mutual release is effective as of the signing of the Purchase Agreement conditioned on the closing of the Proposed Acquisition at which time the Manufacturing Supply and License Agreement and Master Services Agreement will terminate and the mutual release will no longer be conditional.

The Purchase Agreement contains customary representations and warranties of the parties, including, without limitation, with respect to: organization; power and authority; due authorization; enforceability; capitalization; no conflict; no consents required; no actions; no orders; financial statements; indebtedness; no undisclosed liabilities; absence of certain changes; taxes; contracts; customers and suppliers; intellectual property; title to properties; real property; employee benefit plans; employees; insurance; compliance with laws; environmental; material permits; inventory; affiliate transactions; and no brokers.

The Purchase Agreement also contains customary covenants and agreements, including covenants and agreements of: BPC to conduct the Business in the ordinary course until the Proposed Acquisition is completed or terminated and to not take certain actions relating to the Business during the interim period between signing and closing, without the Company's prior consent not to be unreasonably withheld, conditioned or delayed; the Company to conduct its business in the ordinary course until the Proposed Acquisition is completed or terminated and to not take certain actions relating to its business during the interim period between signing and closing, without BPC's prior consent not to be unreasonably withheld, conditioned or delayed; BPC not to compete with the Company in certain lines of business for a period of five years following the closing date; BPC and the Biotest Guarantors not to solicit the Company's employees for one year following the closing date; the Company not to solicit BPC's employees for one year following the closing date; and BPC not to interfere with the Company's customers for five years following the

closing date.

Subject to certain limitations, the Company or BPC may terminate the Purchase Agreement if the Proposed Acquisition has not been consummated by September 30, 2017. A termination of the Purchase Agreement under certain customary circumstances relating to (i) the Company's board of directors exercising their fiduciary out will entitle BPC to receive from the Company a termination fee in an amount equal to $2.5 million; or (ii) the Company's failure to obtain the requisite stockholder approval will entitle BPC to receive expense reimbursement in an amount up to $2.5 million. In no event will BPC be entitled to both a termination fee and expense reimbursement.

BPC and the Company will each indemnify the other party after the closing for any losses arising from breaches of its representations, warranties, covenants and agreements in the Purchase Agreement. In addition, the Company will indemnify BPC after the closing for any assumed liability, and BPC will indemnify the Company after the closing for any excluded asset or excluded liability. The representations, warranties and pre-closing covenants generally survive for 15 months following the closing of the transaction and each party's indemnification obligations with respect to (a) its representations and warranties (other than its fundamental representations, which include representations related to taxes, organization, due authorization, organizational documents, no conflicts; enforceability, title; sufficiency, the Amended and Restated Product Distribution Agreement, effective as of January 19, 2016, by and between BPC and Kedrion Biopharma Inc., or the Kedrion Contract, brokers, etc. and ownership of the Company's securities) are subject to a $25,000 mini-basket and $750,000 true deductible; and (b) its representations and warranties (other than fundamental) and pre-closing covenants are subject to a $25.0 million cap.

BPC will be entering into a standstill with the Company, which will limit BPC's ability to control the Company. BPC will also agree to a six (6) month lock-up of the sale of the Company's securities.

The consummation of the Proposed Acquisition is subject to the satisfaction of certain conditions, including approval of the Proposed Acquisition by the stockholders of ADMA and approval of the amended and restated certificate of incorporation of the Company by the stockholders of ADMA. The Proposed Acquisition is not subject to any financing conditions. There can be no assurance as to when the closing conditions will be satisfied, if at all.

Upon consummation and closing of the Proposed Acquisition, the Company believes it will be uniquely positioned to offer a fully vertically integrated plasma products and immune globulin platform in the U.S.

**Summary of Lease with Home Center Properties, LLC**

On February 17, 2017, ADMA Bio Centers Georgia Inc. ("ADMA BioCenters"), a Delaware corporation and a wholly-owned subsidiary of the Company, entered into a lease (the "Lease") with Home Center Properties, LLC, a Georgia limited liability company ("Landlord"), for approximately 12,167 square feet located at 166 Earnest W. Barrett Parkway, Marietta, Georgia 30066 (the "Premises"). Pursuant to the Lease, ADMA BioCenters will utilize the Premises as a facility specializing in the collection of human plasma and blood, general office administration and any other related use.

The Lease has an initial term of approximately eight years and nine months (the "Initial Term"), commencing upon substantial completion of "Landlord's Work" (as defined in the Lease) (the "Lease Commencement Date"), with rent payments commencing 150 days after the Lease Commencement Date. ADMA BioCenters' total monthly cost of the Premises (inclusive of Landlord's "Operating Costs", "Taxes" and "Insurance Charges" (as such terms are defined in the Lease)) will range from approximately $20,000 to $27,000 during the Initial Term; *provided*, *however*, *that*, provided ADMA BioCenters is not in default of the Lease beyond the expiration of any applicable notice and cure period, ADMA BioCenters shall not be obligated to make any rent payments for the first five calendar months of the Initial Term beginning on the Lease Commencement Date and the last four months of the Initial Term beginning on the 102nd month after the Lease Commencement Date. Provided that the Lease is in full force and effect and provided there has been no "Event of Default" (as defined in the Lease) beyond the expiration of any applicable notice and cure period, ADMA BioCenters shall have the option to extend the term of the Lease for two additional periods of five years each (each, an "Extension Term"), each Extension Term on the same terms, covenants and conditions as the Lease, with the rent for each Extension Term to equal the mutually agreed fair market value of the Premises on the commencement of such Extension Term. The Lease also contains customary default provisions, representations, warranties and covenants.

The foregoing summary of the material terms of the Lease is qualified in its entirety by reference to the full text of the Lease, which is attached hereto as Exhibit 10.22 and incorporated herein by reference.

**UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

The unaudited pro forma combined financial statements presented below are derived from the historical financial statements of ADMA Biologics, Inc. (the "**Company**") and Biotest Pharmaceuticals Corporation's therapy business (the "**Therapy Business Unit**"), adjusted to give effect to the Company's acquisition of the Therapy Business Unit (the "**Acquisition**") (through the Company's wholly owned subsidiary, ADMA BioManufacturing, LLC, a Delaware limited liability company).

To produce the pro forma financial information, the Company used the purchase method of accounting and allocated the purchase price using its best estimates. The unaudited pro forma combined financial statements should be read in conjunction with the accompanying notes and the respective historical financial information from which it was derived, including:

- The historical financial statements and the accompanying notes of the Company as of and for the years ended December 31, 2016 and 2015, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

- The historical carve-out financial statements and the accompanying notes of the Therapy Business Unit as of and for the years ended December 31, 2016 and 2015.

- The unaudited financial statements and the accompanying notes of the Company as of and for the three months ended March 31, 2017, included in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2017.

- The unaudited financial statements and the accompanying notes of the Therapy Business Unit as of and for the three months ended March 31, 2017.

The unaudited pro forma combined balance sheet as of March 31, 2017 gives effect to the Acquisition as if it had occurred on March 31, 2017. The unaudited pro forma combined statements of operations for the year ended December 31, 2016 and the three months ended March 31, 2017 give effect to the Acquisition as if it had occurred on January 1, 2016.

The pro forma adjustments are preliminary and have been made solely for informational purposes. The actual results reported by the Company in periods following the Acquisition may differ significantly from that reflected in these unaudited pro forma combined financial statements for a number of reasons, including but not limited to cost savings

from operating efficiencies, synergies, and the impact of the incremental costs incurred in integrating the Therapy Business Unit. As a result, the pro forma combined financial statements are not intended to represent and do not purport to be indicative of what the combined financial condition or results of operations of the Company and the Therapy Business Unit would have been had the Acquisition been completed on the applicable dates. In addition, the pro forma combined financial statements do not purport to project the future financial condition and results of operations of the Company or the Therapy Business Unit. In the opinion of management, all necessary adjustments to the unaudited pro forma financial information have been made.

The pro forma combined financial statements are based on various assumptions, including assumptions relating to the consideration paid and the allocation thereof to the assets acquired and liabilities assumed from the Therapy Business Unit. The pro forma assumptions and adjustments are described in the accompanying notes presented on the following pages. Pro forma adjustments are those that are directly attributable to the Acquisition, are factually supportable and, with respect to the unaudited pro forma combined statements of operations, are expected to have a continuing impact on the consolidated results. The final consideration paid and the allocation thereof may differ from that reflected in the pro forma combined financial statements after final valuation procedures are concluded and estimates are refined. The unaudited pro forma combined financial statements do not reflect any cost savings from operating efficiencies or synergies that could result from the Acquisition or any potential reorganization and restructuring expenses.

**ADMA BIOLOGICS, INC. AND THE THERAPY BUSINESS UNIT UNAUDITED PRO FORMA COMBINED BALANCE SHEET AS OF MARCH 31, 2017**

| | ADMA Biologics, Inc. | The Therapy Business Unit | Pro Forma Adjustments | Footnote Reference | Pro Forma ADMA Biologics, Inc. |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | $8,542,928 | $ | $27,310,149 | A1 | $35,853,077 |
| Short-Term Investments | 245,000 | | | | 245,000 |
| Accounts Receivable | 839,938 | 3,027,623 | (3,027,623) | A2 | 839,938 |
| Inventories | 5,308,492 | 9,660,822 | (1,463,469) | A3 | 13,505,845 |
| Prepaid Expenses and Other Current Assets | 746,846 | 1,750,992 | (1,561,141) | A4 | 936,697 |
| Total Current Assets | 15,683,204 | 14,439,437 | 21,257,916 | | 51,380,557 |
| Property and Equipment at Cost, Net | 1,882,151 | 22,100,436 | 5,948,200 | A5 | 29,930,787 |
| Other Assets: | | | | | |
| Intangible Assets, net | | 109,555 | 5,974,469 | A6 | 6,084,024 |
| Goodwill | | | 3,529,509 | A7 | 3,529,509 |
| Long-term Deposits | | 518,678 | (518,678) | A8 | |
| Deposits | 29,563 | | | | 29,563 |
| Assets to be transferred to BPCTU (LHI Plasma Centers) | | | 1,802,107 | A9 | 1,802,107 |
| Total Other Assets | 29,563 | 628,233 | 10,787,407 | | 11,445,203 |
| TOTAL ASSETS | $17,594,918 | $37,168,106 | $37,993,523 | | $92,756,547 |
| LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | $3,904,445 | $3,713,744 | $(3,713,744) | A10 | $3,904,445 |
| Accrued Expenses | 2,224,719 | 3,793,514 | (1,490,197) | A11 | 4,528,036 |
| Current Portion of Note Payable | 6,666,667 | | | | 6,666,667 |
| Current Portion of Deferred Revenue | 145,154 | | | | 145,154 |
| Current Portion of Leasehold Improvement Loan | 16,935 | | | | 16,935 |
| Total Current Liabilities | 12,957,920 | 7,507,258 | (5,203,941) | | 15,261,237 |
| Notes Payable, Net of Debt Discount | 10,845,226 | | | | 10,845,226 |
| End of Term Liability, Notes Payable | 1,790,000 | | | | 1,790,000 |
| Deferred Revenue, net of current portion | 2,654,325 | | | | 2,654,325 |

| | | | | | |
|---|---|---|---|---|---|
| Deferred Rent Liability | 90,476 | | | | 90,476 |
| Leasehold Improvement Loan | 15,319 | | | | 15,319 |
| Other Liabilities | | 84,440 | (84,440) | A12 | |
| BPCTU Debt | | | 15,000,000 | A13 | 15,000,000 |
| Purchase Price Payable on January 1, 2019 (2 Plasma Centers) | | | 12,621,844 | | 12,621,844 |
| TOTAL LIABILITIES | 28,353,266 | 7,591,698 | 22,333,463 | | 58,278,427 |
| | | | | | |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| | | | | | |
| STOCKHOLDERS' (DEFICIENCY) EQUITY | | | | | |
| Common Stock voting $0.0001 par value 75,000,000 shares authorized, and 17,182,321 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively | 1,289 | | 430 | | 1,719 |
| Common Stock non-voting $0.0001 par value 75,000,000 shares authorized, and 8,591,160 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively | | | 859 | | 859 |
| Additional Paid-In Capital | 102,712,144 | | 47,164,179 | | 149,876,323 |
| Accumulated Deficit | (113,471,781) | | (1,929,000) | | (115,400,781) |
| Net Invested Equity | | 29,576,408 | (29,576,408) | | |
| TOTAL STOCKHOLDERS' (DEFICIENCY) EQUITY | (10,758,348) | 29,576,408 | 15,660,060 | | 34,478,120 |
| TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIENCY) EQUITY | $17,594,918 | $37,168,106 | $37,993,523 | | $92,756,547 |

See Notes to the Unaudited Pro Forma Combined Financial Statements.

**ADMA BIOLOGICS, INC. AND THE THERAPY BUSINESS UNIT UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016**

| | ADMA Biologics, Inc. | The Therapy Business Unit | Pro Forma Adjustments | Footnote Reference | Pro Forma ADMA Biologics, Inc. |
|---|---|---|---|---|---|
| Statement of Operations Data: | | | | | |
| REVENUES: | | | | | |
| Product revenue | $10,518,203 | $76,505,037 | $(460,000) | A14 | $86,563,240 |
| License and other revenue | 142,834 | | | | 142,834 |
| Total Revenues | 10,661,037 | 76,505,037 | (460,000) | | 86,706,074 |
| COST OF GOODS SOLD | | | | | |
| Total Cost of Goods Sold | 6,360,761 | 106,944,127 | (882,090) | A15 | 112,422,798 |
| GROSS MARGIN | 4,300,276 | (30,439,090) | 422,090 | | (25,716,724) |
| Operating Expenses: | | | | | |
| Research and development | 7,688,238 | 5,414,784 | (460,000) | A14 | 12,643,022 |
| Plasma centers | 5,447,691 | | | | 5,447,691 |
| Amortization of intangibles | | | 1,095,314 | A16 | 1,095,314 |
| General and administrative | 8,494,742 | 28,237,172 | (1,900,000) | A17 | 34,831,914 |
| TOTAL OPERATING EXPENSES | 21,630,671 | 33,651,956 | (1,264,686) | | 54,017,941 |
| LOSS FROM OPERATIONS | (17,330,395) | (64,091,046) | 1,686,776 | | (79,734,665) |
| OTHER INCOME (EXPENSE): | | | | | |
| Interest income | 50,317 | 7,447 | | | 57,764 |
| Interest expense | (2,239,569) | (157,176) | (900,000) | A13 | (3,296,745) |
| Other income | 4,496 | 7,445 | | | 11,941 |
| OTHER EXPENSE, NET | (2,184,756) | (142,284) | (900,000) | | (3,227,040) |
| LOSS BEFORE INCOME TAXES | (19,515,151) | (64,233,330) | 786,776 | | (82,961,705) |
| Provision for income taxes | | (20,575) | | | (20,575) |
| NET LOSS | $(19,515,151) | $(64,253,905) | $786,776 | | $(82,982,280) |
| NET LOSS PER COMMON SHARE, Basic and Diluted | $(1.61) | | | | $(3.40) |
| WEIGHTED AVERAGE SHARES OUTSTANDING, Basic and Diluted | 12,153,407 | | | | 25,040,147 |

See Notes to the Unaudited Pro Forma Combined Financial Statements.

**ADMA BIOLOGICS, INC. AND THE THERAPY BUSINESS UNIT UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2017**

| | ADMA Biologics, Inc. | The Therapy Business Unit | Pro Forma Adjustments | Footnote Reference | Pro Forma ADMA Biologics, Inc. |
|---|---|---|---|---|---|
| Statement of Operations Data: | | | | | |
| REVENUES: | | | | | |
| Product revenue | $2,593,163 | $11,093,778 | $ | | $13,686,941 |
| License and other revenue | 35,708 | | | | 35,708 |
| Total Revenues | 2,628,871 | 11,093,778 | | | 13,722,649 |
| COST OF GOODS SOLD | | | | | |
| Cost of product revenue | 1,616,287 | 16,166,476 | 137,454 | A15 | 17,920,217 |
| Total Cost of Goods Sold | 1,616,287 | 16,166,476 | 137,454 | | 17,920,217 |
| GROSS MARGIN | 1,012,584 | (5,072,698) | (137,454) | | (4,197,568) |
| Operating Expenses: | | | | | |
| Research and development | 1,192,727 | 777,087 | | | 1,969,814 |
| Plasma centers | 1,479,476 | | | | 1,479,476 |
| Amortization of intangibles | | | 273,828 | A16 | 273,828 |
| General and administrative | 4,277,384 | 2,316,670 | (2,569,845) | A17 | 4,024,209 |
| TOTAL OPERATING EXPENSES | 6,949,587 | 3,093,757 | (2,296,017) | | 7,747,327 |
| LOSS FROM OPERATIONS | (5,937,003) | (8,166,455) | 2,158,563 | | (11,944,895) |
| OTHER INCOME (EXPENSE): | | | | | |
| Interest income | 18,568 | | | | 18,568 |
| Interest expense | (618,528) | | (225,000) | A13 | (843,528) |
| Other income | | 1,139 | | | 1,139 |
| OTHER EXPENSE, NET | (599,960) | 1,139 | (225,000) | | (823,821) |
| LOSS BEFORE INCOME TAXES | (6,536,963) | (8,165,316) | 1,933,563 | | (12,768,716) |
| Provision for income taxes | | (5,144) | | | (5,144) |
| NET LOSS | $(6,536,963) | $(8,170,460) | $1,933,563 | | $(12,773,860) |
| NET LOSS PER COMMON SHARE, Basic and Diluted | $(0.51) | $(0.63) | $ | | $(0.50) |
| WEIGHTED AVERAGE SHARES OUTSTANDING, Basic and Diluted | 12,886,741 | 12,886,740 | | | 25,773,481 |

See Notes to the Unaudited Pro Forma Combined Financial Statements.

**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma combined financial information describes the pro forma effect of our acquisition of the Therapy Business Unit on our balance sheet and statement of operations as of and for the year ended December 31, 2016. Our unaudited pro forma combined financial statements reflect the elimination of all intercompany balances between us and the Therapy Business Unit.

**(1) ACQUISITION OF CERTAIN ASSETS FROM BIOTEST**

On January 21, 2017, the Company and its wholly-owned subsidiary, ADMA BioManufacturing, LLC, a Delaware limited liability company ("**Buyer**"), entered into a definitive Master Purchase and Sale Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "**Purchase Agreement**") with Seller, and for certain limited purposes set forth in the Purchase Agreement, Biotest AG ("**Biotest**") and Biotest US Corporation, a Delaware corporation and subsidiary of Biotest (together with Biotest, the "**Biotest Guarantors**"), pursuant to which Buyer has agreed to acquire certain assets and assume certain liabilities constituting the therapy business of Seller (the "**BPC Therapy Business Unit**"). We refer to the foregoing transactions and the other transactions contemplated by the Purchase Agreement collectively in this proxy statement as the "**Transaction**."

The BPC Therapy Business Unit has two FDA-approved marketed biopharmaceutical products, Nabi-HB® ("**Nabi-HB**®") and Bivigam® ("**Bivigam**®"). These products are manufactured at the BPC Therapy Business Unit's plasma fractionation facility located in Boca Raton, Florida (the "**Boca Facility**"). The facility is FDA-licensed and certified by the German Health Authorities. In addition to Nabi-HB® and Bivigam®, the facility also provides contract manufacturing for certain clients, including the sale of intermediate by-products to Biotest. Nabi-HB® is a hyperimmune globulin that is rich in antibodies to the hepatitis B virus. Nabi-HB® is indicated for the treatment of acute exposure to blood containing hepatitis B surface antigen ("**HBsAg**"), prenatal exposure to infants born to HBsAg-positive mothers, sexual exposure to HBs-AG-positive persons and household exposure to persons with acute hepatitis B virus infection. Bivigam® is an Immune Globulin Intravenous (Human), 10% Liquid, indicated for the treatment of primary humoral immunodeficiency. In December 2016, the BPC Therapy Business Unit temporarily suspended the commercial production of Bivigam® in order to focus on the completion of planned improvements to the process.

**Sale of the BPC Therapy Business Unit**

Pursuant to the Purchase Agreement, Seller agreed to sell certain assets of the BPC Therapy Business Unit to ADMA in exchange for an equity interest in ADMA equal to 50% less one share of the issued and outstanding ADMA capital

stock immediately following the closing of the transaction, which consists of 4,295,580 common voting shares and 8,591,160 non-voting common shares. Seller will provide funding to ADMA at closing in the form of $12.5 million in cash and a $15.0 million unsecured loan. The term of the loan will be five years with 6% interest. The $15.0 million principal will be due at the end of the five year term. Furthermore, Seller will provide a firm equity commitment to invest an additional $12.5 million in future equity financings of ADMA.

Included in the assets to be sold at closing are Nabi-HB®, Bivigam®, Seller's contract manufacturing agreements, the Boca Facility, as well as its investigational product Civacir. The acquisition also will include most of Seller's corporate shared services group assets (other than accounts receivable) and Seller's Boca Raton, Florida headquarters and real properties (other than a parcel of undeveloped land). Seller will retain all accounts receivable, all raw material plasma or intermediate inventories, its plasma centers and all related plasma center assets, and both center and corporate employees that directly support the plasma centers.

The Purchase Agreement also provides that, at the closing of the transaction, Seller and ADMA will enter into the following agreements: (i) a Transition Services Agreement pursuant to which each of Seller and ADMA agree to provide transition services to the other party, including services related to finance, human resources, information technologies, and clinical and regulatory for a period of up to 24 months after closing; as well as agreements to lease certain laboratory space within the Boca Facility to Seller for a period of up to 24 months after closing, and (ii) a Plasma Supply Agreement pursuant to which, Seller will supply hyperimmune plasma to ADMA for the manufacture of Nabi-HB®.

On January 1, 2019, as consideration for all of the above, ADMA will deliver to Seller two of ADMA's plasma centers in Georgia for no additional consideration.

**(2) PURCHASE PRICE ALLOCATION**

Final Purchase Consideration:

| | |
|---|---|
| Issuance of common stock (voting and non-voting) 12,886,740 shares at $3.66 per share | $47,165,468 |
| Transfer of two FDA, GHA and MFDS licensed plasma collection centers | 12,621,844 |
| Final purchase consideration | $59,787,312 |

The fair value of the Company's common stock was calculated using the Company's closing Nasdaq Capital Markets quoted price of $3.66 as of June 6, 2017.

Preliminary Purchase Consideration Allocation:

The following table summarizes the allocation of the final purchase consideration to the assets acquired and liabilities assumed on June 6, 2017 based on their fair values:

| | |
|---|---|
| Cash | $12,500,000 |
| Inventory | 8,197,353 |
| Land and building | 20,000,000 |
| Property and equipment | 8,209,800 |
| Held for sale assets | 845,389 |
| Spare parts | 795,553 |
| Intangible rights to Nabi-HB® | 4,100,046 |
| Intangible rights to intermediate sales | 907,421 |
| Intangible rights to contract manufacturing agreement | 1,076,557 |
| Liabilities assumed - PTO | (374,317 ) |
| Total value received from BPC Therapy Unit | 56,257,802 |
| Goodwill | 3,529,510 |
| Final purchase consideration | $59,787,312 |

The Preliminary purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values at the date of acquisition. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed amounted to $3,529,510, which was allocated to goodwill. We expect that substantially all of the amount allocated to goodwill will not be deductible for tax purposes.

**(3) PRO FORMA ADJUSTMENTS**

**I. Unaudited Pro Forma Combined Balance Sheet of ADMA Biologics, Inc.**

(A1) To record $12,310,149 of capital contribution (net of prepaid expenses $189,851) and $15,000,000 of a note payable provided by Seller upon the closing of the transaction.

(A2) To eliminate Seller's accounts receivable in accordance with the Purchase Agreement.

(A3) To adjust the inventory balance to account for $3,527,971 of finished goods and consumable inventory with a step up valuation of $4,669,382 and to eliminate Seller's inventory in accordance with the Purchase Agreement.

(A4) To eliminate Seller's prepaid expenses and other current assets in accordance with the Purchase Agreement.

(A5) To record the value of land and building appraised at $20,000,000 and property and equipment estimated value of $8,209,800. Also, reclass assets to be transferred to Seller on January 1, 2019, the leasehold improvements of ADMA Biologics two FDA, GHA, MFDS licensed plasma collection centers of $1,802,107.

(A6) To record the intangible value rights to Nabi-HB® of $4,100,046, the intangible rights of intermediate sales of $907,421, and the intangible rights of contract manufacturing agreement with a third party of $1,076,557.

(A7) To record the goodwill assigned as part of this transaction's purchase price of $3,529,510.

(A8) To eliminate Seller's long-term deposits in accordance with the Purchase Agreement.

(A9) To record the value of the leasehold improvement assets of the two FDA, GHA, MFDS licensed plasma collection centers to be transferred to Seller on January 1, 2019.

(A10) To eliminate Seller's accounts payable in accordance with the Purchase Agreement.

(A11) To eliminate Seller's accrued expenses and to record $1,929,000 of transactions costs to be incurred and not accrued as of March 31, 2017, in addition to $374,317 of assumed accrued employee paid time off.

(A12) To eliminate Seller's other liabilities in accordance with the Purchase Agreement.

(A13) To record the $15,000,000 note payable to Seller as part of the payment received by ADMA upon the closing of the transaction. Such note is payable in full five years from the date of the receipt of funds, with interest payments of 6% payable semi-annually in arrears in accordance with the Purchase Agreement.

**II. Unaudited Pro Forma Combined Statement of Operations of ADMA Biologics, Inc.**

(A14) To record the elimination of certain manufacturing services provided by BPC Therapy Business Unit to ADMA during the year ended December 31, 2016.

(A15) To record depreciation of building and equipment related to the manufacturing of the BPC Therapy Business Unit based upon purchase price allocation.

(A16) To record amortization of the intangible rights to Nabi-HB®, intermediate sales and contract manufacturing provided to third parties over a period of seven years, for the quarter ended March 31, 2017.

(A17) To reduce expenses for transaction costs primarily attributed to legal, financial, due diligence consulting.

**ADMA BIOLOGICS, INC.**

**SHARES OF COMMON STOCK**

_____

**PROSPECTUS**

_____

*Sole book-running manager*

**RAYMOND JAMES**

, 2017

**Until a date which is 90 days from the effective date of this Prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.**

**PART II INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution**

The following table sets forth all costs and expenses, other than underwriter discounts, payable in connection with the sale of the shares of Common Stock being registered hereby. Except as otherwise noted, ADMA Biologics, Inc. (the "Company", "we", "us", or "our") will pay all of the costs and expenses set forth in the following table. All amounts below are estimates other than the SEC's registration fee.

| | |
|---|---|
| Securities and Exchange Commission Registration Fee | $3,580 |
| FINRA Filing Fee | $3,950 |
| Printing Fee | $20,000 |
| Accounting Fees and Expenses | $200,000 |
| Legal Fees and Expenses | $300,000 |
| Transfer Agent and Registrar Fee | $40,000 |
| Miscellaneous | $32,470 |
| Total | $600,000 |

**Item 14. Indemnification of Directors and Officers**

Our directors and officers are indemnified as provided by the Delaware General Corporation Law, our certificate of incorporation, as amended, and our Amended and Restated Bylaws. We have been advised that, in the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

We are party to indemnification agreements with each of our directors and officers. These agreements require us to, among other things, indemnify our directors and officers against certain liabilities which may arise by reason of their status or service as directors or officers to the fullest extent permitted by applicable laws. These indemnification provisions and the indemnification agreements are sufficiently broad to permit indemnification of the our officers and directors for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, which we refer to as the Securities Act. The Company also maintains director and officer liability insurance.

**Item 15. Recent Sales of Unregistered Securities**

Pursuant to the terms of the Loan and Security Agreement by and among Oxford Finance LLC ("Oxford"), the lenders party thereto, the Company, ADMA Plasma Biologics, Inc. and ADMA Bio Centers Georgia Inc., dated as of June 19, 2015 (the "LSA"), on June 19, 2015, the Company issued to Oxford a seven year warrant, expiring on June 19, 2022, to purchase 74,309 shares of the Company's voting common stock, $0.0001 par value per share (the "Common Stock"), at an exercise price of $8.51 per share. In May 2016, in connection with the first amendment to the LSA, the Company issued to Oxford warrants to purchase an aggregate of up to 24,800 shares of the Company's Common Stock at an exercise price equal to $6.37 per share. The warrants became exercisable on May 13, 2016 for cash or by net exercise and will expire seven years after their issuance on May 13, 2023. The warrants were issued pursuant to Regulation D of the Securities Act, as Oxford is an "Accredited Investor" as such term is defined in Rule 501 of Regulation D.

Pursuant to the terms of the Master Purchase and Sale Agreement by and among the Company, ADMA BioManufacturing, LLC ("ADMA BioManufacturing"), and Biotest Pharmaceuticals Corporation ("BPC"), dated as of January 21, 2017 (the "Purchase Agreement"), at the closing of the transaction the Company delivered to BPC an aggregate equity interest in the Company equal to 50%, less one share, of the Company's issued and outstanding capital stock, comprised of 25%, or 4,295,580 shares, of the Company's Common Stock, and 8,591,160 shares in the form of the Company's non-voting common stock, $0.0001 par value per share (the "Non-Voting Common Stock") (calculated as of immediately following the closing and on a post-closing issuance basis) (the "Biotest Equity Interest"). The Non-Voting Common Stock is convertible into the Company's Common Stock upon the occurrence of certain specified events. The Biotest Equity Interest was issued pursuant to Regulation D of the Securities Act, as BPC is an "Accredited Investor" as such term is defined in Rule 501 of Regulation D.

Additionally, on June 6, 2017, BPC (i) delivered to us a capital contribution of $12.5 million in respect of the Biotest Equity Interest, which capital contribution was contributed by BPC to ADMA BioManufacturing; and (ii) funded a $15.0 million unsecured subordinated loan to us, which (a) bears interest at a rate of 6% per annum, payable semiannually in arrears on each of the six-month and twelve-month anniversary dates of the closing date, (b) has a term of five years and (c) is not subject to any prepayment premium, penalty or other breakage costs (the "Subordinated Loan Facility"). We are required to repay the Subordinated Loan Facility in full upon certain disposals of the therapy business of BPC (the "BTBU"), certain disposals of shares of ADMA BioManufacturing and other change of control events in relation to ADMA BioManufacturing or certain liquidation events of the Company. All of ADMA BioManufacturing's obligations under the Subordinated Loan Facility are unconditionally guaranteed by the Company. The Subordinated Loan Facility contains certain customary affirmative covenants. The Subordinated Loan Facility also contains certain negative covenants limiting the incurrence by the Company or ADMA BioManufacturing of certain indebtedness, the entry by the Company and its subsidiaries (including ADMA BioManufacturing) into certain transactions with affiliates and certain voluntary or optional prepayments by the Company and its subsidiaries of indebtedness that is contractually subordinate in right of payment to the obligations under the Subordinated Loan Facility. The Subordinated Loan Facility is subordinated to (i) the Company's existing indebtedness under the LSA among the Company, the Company's subsidiaries and Oxford, (ii) any refinancing of the LSA, in accordance with the terms and conditions of the subordination agreement dated as of June 6, 2017 between Oxford and BPC, and (iii) any additional "Indebtedness" (as defined in the subordinated loan agreement) for borrowed money approved by the Company's Board of Directors (the "Board") and incurred by the Company or ADMA BioManufacturing which is secured solely by a mortgage on the owned real property acquired in connection with the Biotest acquisition. The Subordinated Loan Facility will rank *pari passu* with all additional indebtedness approved by the Board and incurred by the Company or ADMA BioManufacturing which is not secured solely by the owned real property acquired in connection with the Biotest acquisition. If such additional *pari passu* indebtedness is secured, then the Subordinated Loan Facility will also be secured on a *pari passu* basis. The Subordinated Loan Facility contains certain customary events of default. If an event of default occurs, BPC will be entitled to take various actions, including the acceleration of amounts due under the Subordinated Loan Facility.

As consideration for the Credit Agreement, the Company has issued, on October 10, 2017, a Warrant to Purchase Stock to Marathon (the "Tranche One Warrant"). The Tranche One Warrant has (i) an exercise price equal to $3.10, which is the trailing 10-day VWAP of the Company's Common Stock prior to October 10, 2017, and (ii) an expiration date of October 10, 2024. The Tranche One Warrant is exercisable for 338,710 shares of Common Stock, or 3.5% of the Tranche One Loan. In the event that the Tranche Two Loan is issued to the Company, the Company shall issue an additional Warrant to Purchase Stock to Marathon (the "Tranche Two Warrant") to purchase such number of shares of Common Stock equal to 3.5% of the Tranche Two Loan, which shall have an exercise price equal to the trailing 10-day VWAP of the Common Stock prior to the issuance date of the Tranche Two Warrant and an expiration date equal to the seven year anniversary of the issuance of the Tranche Two Warrant.

**Item 16. Exhibits and Financial Statement Schedules**

The following exhibits are filed as part of, or incorporated by reference into this document:

| Exhibit No. | Description |
|---|---|
| 1.1*** | Form of Underwriting Agreement. |
| 2.1 | Master Purchase and Sale Agreement, dated as of January 21, 2017, by and among Biotest Pharmaceuticals Corporation, ADMA BioManufacturing, LLC, ADMA Biologics, Inc., Biotest AG and Biotest US Corporation (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 23, 2017). |
| 3.1 | Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 12, 2017). |
| 3.2 | Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 7, 2016). |
| 4.1 | Specimen Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Company's Current Report on Form 8-K/A, filed with the SEC on March 29, 2012). |
| 4.2 | Form of Warrant Agreement with Hercules Technology Growth Capital, Inc. (incorporated herein by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1, filed with the SEC on February 11, 2013). |
| 4.3 | Form of Warrant Agreement with Oxford Finance LLC (incorporated herein by reference to Exhibit 4.6 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 13, 2016). |
| 4.4 | Warrant to Purchase Stock, dated October 10, 2017, issued by the Company to Marathon Healthcare Finance Fund, L.P. (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on October 11, 2017). |
| 4.5 | Form of Secured Term Loan Promissory Note issued to Hercules Technology Growth Capital, Inc. (incorporated herein by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-1, filed |

| | |
|---|---|
| | with the SEC on February 11, 2013). |
| 4.6 | Form of Secured Term B Loan Promissory Note issued to Oxford Finance LLC (incorporated herein by reference to Exhibit 4.7 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 13, 2016). |
| 4.7 | Tranche One Term Note, dated October 10, 2017, issued by the Company to Marathon Healthcare Finance Fund, L.P. (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 11, 2017). |
| 5.1** | Legal Opinion of DLA Piper LLP (US). |
| 10.1† | 2007 Employee Stock Option Plan, as amended by Amendment No. 3 (incorporated herein by reference to Exhibit A to the Information Statement on Schedule 14C, filed with the SEC on October 29, 2012). |
| 10.2† | Amended and Restated ADMA Biologics, Inc. 2014 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed on August 18, 2017). |
| 10.3† | Amended and Restated Employment Agreement, dated January 28, 2016, by and between ADMA Biologics, Inc. and Adam Grossman (incorporated herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K, filed with the SEC on March 23, 2016). |
| 10.4† | Amended and Restated Employment Agreement, dated January 28, 2016, by and between ADMA Biologics, Inc. and Brian Lenz (incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K, filed with the SEC on March 23, 2016). |
| 10.5† | Amended and Restated Employment Agreement, dated January 28, 2016, by and between ADMA Biologics, Inc. and James Mond, M.D., Ph.D. (incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K, filed with the SEC on March 23, 2016). |
| 10.6+ | Plasma Purchase Agreement, dated as of November 17, 2011, by and between Biotest Pharmaceuticals Corporation and ADMA Biologics, Inc., as amended by First Amendment to Plasma Purchase Agreement, dated as of December 1, 2011, by and between Biotest Pharmaceuticals Corporation and ADMA Biologics, Inc. (incorporated herein by reference to Exhibit 10.9 to Amendment No. 3 to the Company's Current Report on Form 8-K/A, filed with the SEC on June 22, 2012). |

| | |
|---|---|
| 10.6.1+ | Second Amendment to Plasma Purchase Agreement, dated as of December 18, 2015, by and between Biotest Pharmaceuticals Corporation and ADMA Biologics, Inc. (incorporated herein by reference to Exhibit 10.3.1 to the Company's Annual Report on Form 10-K, filed with the SEC on March 23, 2016). |
| 10.6.2 | Third Amendment to Plasma Purchase Agreement, dated as of April 8, 2016, by and between Biotest Pharmaceuticals Corporation and ADMA Biologics, Inc. (incorporated herein by reference to Exhibit 10.3.2 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 13, 2016). |
| 10.6.3 | Fourth Amendment to Plasma Purchase Agreement, dated as of June 6, 2017, by and between Biotest Pharmaceuticals Corporation and ADMA Biologics, Inc. (incorporated herein by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2017). |
| 10.7+ | Amended and Restated Plasma Supply Agreement, dated as of March 23, 2016, by and between ADMA Biologics, Inc. and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K, filed with the SEC on March 23, 2016). |
| 10.8+ | Plasma Supply Agreement, dated as of June 6, 2017, by and between ADMA BioManufacturing, LLC and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2017). |
| 10.9+ | Plasma Purchase Agreement, dated as of June 6, 2017, by and between ADMA BioManufacturing, LLC and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2017). |
| 10.10 | Amended and Restated Agreement for Services, effective as of January 1, 2016, by and between ADMA Biologics, LLC and Areth LLC (incorporated herein by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 12, 2016). |
| 10.11 | Agreement of Lease, effective June 1, 2008 and confirmed on November 13, 2008, by and among ADMA Bio Centers Georgia Inc., ADMA Biologics, Inc. and C1VF I-GA1W15-W23, LLC (DCT Holdings), as amended on January 20, 2011, May 24, 2012 and January 1, 2014 (incorporated herein by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2012). |
| 10.12+ | Lease, dated as of January 20, 2014, by and between ADMA Bio Centers Georgia Inc. and U.S. Bank National Association, effective February 1, 2014, as amended on December 18, 2014 and July 9, 2015 (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K, filed with the SEC on March 28, 2014). |

| | |
|---|---|
| 10.13 | Lease, effective as of February 17, 2017, by and between Home Center Properties, LLC and ADMA Bio Centers Georgia Inc. (incorporated herein by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K, filed with the SEC on February 24, 2017). |
| 10.14 | Purchase Agreement, dated as of June 6, 2017, by and among the Company, Biotest Pharmaceuticals Corporation and ADMA Bio Centers Georgia, Inc. (incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2017). |
| 10.15 | Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K, filed with the SEC on February 13, 2012). |
| 10.16+ | Testing Services Agreement, dated as of June 8, 2012, by and between ADMA Biologics, Inc. and Quest Diagnostics Clinical Laboratories, Inc. (incorporated herein by reference to Exhibit 10.16 to Amendment No. 4 to the Company's Registration Statement on Form S-1, filed with the SEC on August 10, 2012). |
| 10.17 | Loan and Security Agreement, dated as of June 19, 2015, by and among Oxford Finance LLC, the lenders party thereto, ADMA Biologics, Inc., ADMA Plasma Biologics, Inc. and ADMA Bio Centers Georgia Inc. (incorporated herein by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2015). |

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|---|---|
| 10.17.1 | First Amendment to Loan and Security Agreement, dated as of May 13, 2016, by and among Oxford Finance LLC, the lenders party thereto, ADMA Biologics, Inc., ADMA Plasma Biologics, Inc. and ADMA Bio Centers Georgia Inc. (incorporated herein by reference to Exhibit 10.17.1 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on May 13, 2016). |
| 10.18 | Subordinated Loan Agreement, dated as of June 6, 2017, by and among the Company, ADMA BioManufacturing, LLC and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 12, 2017). |
| 10.19 | Credit Agreement, dated as of October 10, 2017, by and among the Company, ADMA Plasma Biologics, Inc., ADMA Bio Centers Georgia Inc., ADMA BioManufacturing, LLC, Marathon Healthcare Finance Fund, L.P. and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 11, 2017). |
| 10.20 | Security Agreement, dated as of October 10, 2017, by and among the Company, ADMA Plasma Biologics, Inc., ADMA Bio Centers Georgia Inc., ADMA BioManufacturing, LLC and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on October 11, 2017). |
| 10.21 | Intellectual Property Security Agreement, dated as of October 10, 2017, by and among the Company, ADMA Plasma Biologics, Inc., ADMA Bio Centers Georgia Inc., ADMA BioManufacturing, LLC and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on October 11, 2017). |
| 10.22 | Pledge Agreement, dated as of October 10, 2017, by and between the Company and Wilmington Trust, National Association (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on October 11, 2017). |
| 10.23+ | License Agreement, effective as of December 31, 2012, by and between ADMA Biologics, Inc. and Biotest Aktiengesellschaft (incorporated herein by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1, filed with the SEC on February 11, 2013). |
| 10.23.1 | First Amendment to License Agreement, dated as of June 6, 2017, by and between the Company and Biotest Aktiengesellschaft (incorporated herein by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2017). |
| 10.24 | Stockholders Agreement, dated as of June 6, 2017, by and between the Company and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 12, 2017). |

| | |
|---|---|
| 10.25 | Registration Rights Agreement, dated as of June 6, 2017, by and between the Company and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 12, 2017). |
| 10.26+ | Transition Services Agreement, dated as of June 6, 2017, by and between ADMA BioManufacturing, LLC and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2017). |
| 10.27 | Termination Agreement (Manufacturing, Supply and License Agreement and Master Services Agreement), dated as of June 6, 2017, by and between the Company and Biotest Pharmaceuticals Corporation (incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 11, 2017). |
| 21.1** | Subsidiaries of the Company. |
| 23.1* | Consent of CohnReznick LLP. |
| 23.2* | Consent of CohnReznick LLP. |
| 23.3* | Consent of Rödl Langford de Kock LLP. |
| 23.4** | Consent of DLA Piper LLP (US) (included in Exhibit 5.1). |
| 24.1** | Power of Attorney (included on signature page). |

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

* Filed herewith.

** Previously filed.

*** To be filed by amendment.

† Management compensatory plan, contract or arrangement.

**Item 17. Undertakings**

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the Borough of Ramsey, State of New Jersey on October 23, 2017.

**ADMA BIOLOGICS, INC.**

By: /s/ Adam S. Grossman
Adam S. Grossman

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1933, as amended, this registration statement has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the date listed below.

| **Signature** | **Capacity** | **Date** |
|---|---|---|
| /s/ Adam S. Grossman<br>Adam S. Grossman | President and Chief Executive Officer<br>(Principal Executive Officer) | October 23, 2017 |
| /s/ Brian Lenz<br>Brian Lenz | Vice President and Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) | October 23, 2017 |
| *<br>Steven A. Elms | Chairman of the Board of Directors | October 23, 2017 |
| *<br>Dr. Jerrold B. Grossman | Vice Chairman of the Board of Directors | October 23, 2017 |
| *<br>Bryant E. Fong | Director | October 23, 2017 |
| *<br>Dov A. Goldstein, M.D. | Director | October 23, 2017 |
| *<br>Lawrence P. Guiheen | Director | October 23, 2017 |
| *<br>Eric I. Richman | Director | October 23, 2017 |
| *<br>Dr. Bernhard Ehmer | Director | October 23, 2017 |

*By: /s/ Adam S. Grossman
Adam S. Grossman
Attorney-in-fact